

JPRS-CAR-89-044

12 MAY 1989



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# ***JPRS Report***

# **China**

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**QIUSHI [SEEKING TRUTH]**

No. 4, 16 February 1989

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12 MAY 1989

[The following is a complete translation of QIUSHI [SEEKING TRUTH], a semimonthly theoretical journal published by the CPC Party School in Beijing]

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## QIUSHI

No 4, 16 February 1989

### Some Thoughts on Building the Ranks of Primary and Middle School Teachers

OW1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 2-8

[Article by Lin Zhiwo 2651 1807 3259 and Huang Jumei 7806 5468 5019]

#### [Text] Strong Contrast Phenomenon

With education in a modern society playing an increasingly significant role in the competitive world, the issue of education arouses greater attention from people of all walks of life in various countries. In China, education has been put in a strategic position in carrying out socialist modernization. In order to realize this strategic position, we are carrying out various reforms. In the process of reform and development, one of the greatest problems we are encountering is the formation of a corps of instructors.

With scanty means of livelihood, China's 8 million primary and middle school teachers have earnestly taught and educated people, scoring remarkable achievements (college teachers are no exception). Some new problems have cropped up in the course of developing the commodity economy. This has made the teachers suffer even more in the economic sphere. The profession of teaching has become even less attractive. The ranks of teachers are now unstable, and there are not enough new teachers to replace the old ones. Many well-educated people are not willing to become teachers, while those who are currently teaching feel restless. A large number of outstanding teachers are leaving their profession, while good students are not willing to study in any teachers' college. Outstanding graduates from teachers' colleges hesitate to accept state assignments to teach in school. The public opinion poll of a certain major city showed that teachers rank top in terms of "image" in society, but at the same time, only 10 percent of the students who apply for college admission list any teachers' college as their first choice. In order to ensure that there are enough high-quality teachers, the state gives teachers' colleges the same priority as other major universities and lists them in the first group to admit the best qualified candidates. Nevertheless, there are still not enough students who want to enroll in any teachers' college. Teachers' colleges have no choice but to pick up students from those who fail to enter other colleges and institutes. People have regarded teachers' colleges as something with the "most gloomy future," and teaching as the "most dreadful profession."

The aforementioned phenomenon reflects a social reality. That is the contrast between complex and simple labor, between value of a teacher's labor and his remuneration, and between education's strategic importance

and poverty among teachers. All this has created a crisis in the teaching profession. According to statistics compiled by a relevant department, 120,000 undergraduate students graduated from teachers' colleges in China during the 3 years from 1984 to 1987, while 70,000 middle school teachers have gained the same status as teachers' college graduates by engaging in advanced studies. Their total number was nearly 200,000. However, during these 3 years, the number of middle school teachers who have left their posts and the number of teachers' college graduates who have not been assigned to teach in middle schools reached 130,000, accounting for nearly two-thirds of the total number of newly-added, qualified teachers. According to statistics compiled in a certain region, more than 800 teachers had already left their teaching posts for other jobs during the first 6 months of 1988, causing over 100 schools in the whole region to close down temporarily and depriving more than 1,800 students of their chance to study. The vicious cycle between teachers and students is of great concern. If this issue cannot be tackled, we shall pay an even higher price for it.

The quality of teachers directly involves the quality of the entire nation. It is a major issue affecting the overall situation. It should arouse full attention from the whole of society. The ranks of teachers cannot be built within a very short period. Therefore, we must feel the sense of urgency in this connection. At the same time, we must also think about our future. That involves a series of issues and policies.

In what way, can we understand the strategic role of education and the role of teachers in society? In what way, can we understand the social value of a teacher's labor, and recognize such value in the course of developing the commodity economy? What kind of internal and external mechanisms do we need to vigorously develop our education and expand the ranks of teachers? We need to study all these questions.

#### The Key Is To Settle the Difference Between One's Concept and the Era

Generally speaking, it is a practical thing to say that teachers earn the "best image" in society. Teachers are ones who help people broaden their knowledge. Their jobs demand that they maintain high cultural standards and display the spirit of seeking knowledge at all times. Teachers are ones who educate people. They have to play their exemplary role well. "Be a paragon of virtue and learning" is their professional motto. Generally speaking, a teacher's moral standards are usually higher than the average person in society. The teachers have neither power nor wealth. They spend most of their time among young people, children, and books. Working hard, they give more than what they take. By regarding them as the "best image," we seek to reaffirm their achievements, honesty, and uprightness; and sympathize with their efforts to remain uncorrupted and live with scanty means. However, the title of "best image" is no longer

the same as "the respectable" or "the admirable." This illusive light ring has already lost its original luster. It is tainted with a bitter taste. Under the conditions of the commodity economy, it is difficult for anyone to raise his social status without improving his economic status.

The key to expanding the ranks of teachers is to truly raise the status of general education, of teachers' education, and of teachers. We must improve the qualities in teachers' education and help teachers improve themselves on this basis. In order to tackle this issue, we must, first of all, make a breakthrough in our concept.

The role of teachers and the role of education are inseparable, while our respect for teachers and our emphasis on education are closely connected. Our emphasis on education is a prerequisite of our respect for teachers. To expand the ranks of teachers, we must emphasize the strategic role of education. The key is to truly understand its strategic significance. It is impossible to emphasize the strategic role of education without a modern concept on value or a strategic perspective.

With the new technological revolution vigorously surging ahead and in the modern era in which international competitions are becoming sharper and sharper, economic competitions are decided by the results of scientific and technological competitions, while scientific and technological competitions are determined by the results in competitions for qualified people and competitions in the field of education. This has already become a law recognized in the modern international society. The growth of the national income of a developed country mainly relies on the development of its intellectual resources, its progress in the field of science and technology and the improvement of the qualities of its workers. This is an irrefutable fact.

Japan is short of natural resources and manpower, but it pays full attention to the development of its intellectual resources. Between 1905 and 1966, Japan's national income increased tenfold, its manpower by only 0.7 times, and its capital goods increased sixfold, but its intellectual investments were increased by 22 times. It is universally admitted that Japan's workers are the best in the world. Japan has relied on them to learn the world's most advanced knowledge and technology. In the past 20 years, Japan had once again raised its productivity fourfold. At the end of the last century, Britain, a major economic power in the world, had realized that the important factor for the U.S. industrial successes was the educational standards in the United States. Currently, the United States is once again crying out in alarm that U.S. education is overshadowed by that of Japan. The successes of the schools in Japan and the poor educational quality in the United States have caused uneasiness among some sober-minded Americans, particularly American entrepreneurs. They believe that Japanese schools are extremely efficient, just like the Japanese industries. The rate of literacy in Japan is the highest in the world. No student drops out of school, and teachers

are highly respected in Japan. They believe: Those workers who turn Japan's economy into a global strength and the nation into a strong competitor of the United States are trained by this kind of educational system. They criticize the United States for its shortsightedness and self-contradictory state of mind, saying: "On the one hand, short-sighted politicians try to cut educational budgets and save expenses on children, while on the other hand, they expect the younger generation to compete with the Japanese, who have received better education."

In order to maintain its competitiveness in the international arena, in the 1980's the United States has once again created an upsurge in educational reform. Some U.S. entrepreneurs, statesmen, educators, and scientists put forward a report in 1983, in which they shouted aloud: "The nation is in a crisis—education must be reformed." They sternly criticized the inferior quality of middle and primary schools in the United States. This report on education had aroused strong response from the entire society. Several reports on education made public in 1986 also pointed out: If the United States seeks to continually maintain its economic strength and its high standards of living, it must improve the qualities of its mighty labor force and help it surpass any other country in the world in developing production and providing services.

However, "better educated Japanese" have also been constantly examining their educational defects. To enable education to meet the demands of the international era of information and to adapt to the changing society, Japan's Nakasone Cabinet proposed to the Diet in 1984 that a provisional education examination committee be formed. In addition, the cabinet also proposed a program for completely reforming Japan's education. The main topic of the program was "moving forward to the 21st century." Basing itself on popular opinion, the provisional education examination committee in 3 years issued 4 consultative reports calling for the training of Japanese who are mentally and physically healthy and who keep the vision of the world in mind. The reports also put forward the principle of attaching importance to individual character as well as the principles of setting up a system for lifetime study and an internationalized open educational system. These reports were spoken highly of by the Japanese Government and the public, who were of the opinion that the success or failure of an educational reform would concern Japan's destiny in the 21st century.

How should we react and what should we do when we are confronted with a strong sense of educational crisis and a sense of urgency brought about by an international tide in the company of the fierce, worldwide economic competition and the comprehensive competition for national strength?

The 13th National Party Congress set out the development strategy: "To give first priority to the expansion of scientific, technological, and educational undertakings,

so as to push forward economic development through advances in science and technology and improve the quality of the work force." In recent years, an increasing number of leaders from the central and local authorities have understood the importance of education. In some localities, the leadership is willing to work in simple offices. Instead of building office buildings, auditoriums, and hotels, it has given priority to building school buildings and teachers' quarters. It is doing everything possible to solve problems for schools and teachers. No matter how difficult the situation is, the leadership has increased investment in education and raised the teachers' salary. The leadership has truly regarded education as a long-term plan to bring happiness to future generations. However, quite a number of leaders have not truly attached importance to education, or no importance to education at all. The present problem is one that does not involve the lack of funds but, first of all, the lack of foresight.

Why is it that China's educational funds, which are presently very low, cannot be secured? According to newspaper report, in Hebei Province 18 counties reduced their educational funds in 1987. As a result, some teachers did not receive their salaries for 5 months. This state of affairs does not exist in Hebei Province alone. On one side one sees magnificent temples, and the other side one sees primary school buildings built with mud; on one side, one sees the magnificence of office buildings, auditoriums, and hotels, and on the other side, one sees the miserable condition of dilapidated school buildings that threaten the lives of school children; in administrative units throughout the country, there is a small sedan for an average of 33 members of their staff. In fact, this kind of excessive expenditure has stopped the development of education. These leaders still consider education a purely consumptive undertaking. They even arrange it behind other nonproductive projects. They think that education is a soft task that can be done later, believing that "distant waters cannot quench thirst." They have failed to see that education is the motive force for economic and social development. Because they have failed to see education's high value and the long-term benefits that education will bring, the sense of urgency and the sense of crisis do not occur in them. There is a big gap between this system of concepts, which originated from the foundation of a small-scale peasant economy, and the development of the times and the world trend, which seriously hampers the development of education and also the advancement of the four modernizations program.

If the "criterion of productive forces" is viewed from a modern concept, it can be said that science and technology constitute the "first productive force" and that people who possess scientific, technological, and educational knowledge (including professionals of all types and the workers of all trades and occupations) are the most important factors of productive forces. If this criterion is upheld, it is necessary to redefine the status and role of education and teachers. This will truly raise

respect for education and teachers to a national concept of value and universally awaken the population. In the course of a great social change, it is necessary to pay particular attention to breaking away from the old concepts.

Education will bring about economic, as well as social and cultural, benefits; in addition to playing an important role in the building of a material civilization, education can play a particularly important role on the building of a spiritual civilization. The development of a society needs the coordinated development of a material civilization and a spiritual civilization. Man's development needs the harmonious development of moral, intellectual, physical, and aesthetic education. There are many ways to enhance the quality of working people. To achieve these objectives, it is necessary to build a solid foundation through the development of fundamental education. A few simple facts can explain the importance of such a foundation.

On international illiteracy elimination day, which falls on 8 September, Mr Mayor, director of UNESCO, issued a call: "Emancipate the world from the misfortune of illiteracy and build a world in which every one can read and write." In China, the number of illiterates accounts for a quarter of the world's total. Moreover, the number of illiterates in China is still rising. In some areas, while the standard of living has been increased by 30 to 40 percent, the illiteracy rate has risen by 10 percent. According to information released by the State Statistical Bureau, only 76.7 percent of school-age children between age 6 and 14 throughout the country attend school. This means more than 40 million school-age children in China have stopped studying to join the ranks of the illiterates.

Illiteracy goes hand in hand not only with poverty, but other social problems as well. It is inevitable that illiterates know nothing about science and law. To change this, we must first wipe out illiteracy.

It is a worldwide phenomenon that high rates of illiteracy are directly proportional to high birth rates. A survey of 18 poor villages in Jiangsu shows the following: One-fifth of the children of school age fail to go to school. Illiterates and semi-illiterates account for 40 percent of the work force. Those giving birth to only 1 child account for only 7.4 percent of women of childbearing age, while those giving birth to 3 children account for 28 percent. In Yunan's Nujiang Lisu Autonomous Prefecture, where 91 percent of the population is people of minority nationalities, illiterates, and semi-illiterates account for 65.5 percent of the population, and an average woman gives birth to 4.9 children. We can see the vicious cycle that poverty, poor education, drastic population growth, and poor human quality make poverty even worse.

People (of fine quality) are not only the main driving force behind the development of productive forces, but are also a starting point in the development process, as

well as the user of the final results of development. The development of productive forces is, in the long run, aimed at satisfying the material and cultural needs of the vast number of the people. The people's needs are not only material, but spiritual. For example, they need a healthy, civilized, and scientific lifestyle. They want to use their leisure time in a rational manner. And they want to lead a rich spiritual life. These are not only an inseparable part of an individual's happy life, but also an important factor favorable for social stability. Besides, they not only reveal one's educational quality, but also mark the development of civilization in society. It is unimaginable that there will be civilized people and societies, if there is no elementary education to serve as the foundation for the development of cultural and scientific knowledge, thought and sentiment, mentality, esthetic ability, physical quality, and sports skills.

Elementary education has been ignored in China over the years. Its importance is in sharp contrast to its predicament. It is necessary to change this situation as soon as possible. We must understand that education in the middle and elementary schools will decide the basic quality of the Chinese people, become the foundation for stability and development in society as a whole, and become a key to victories in the 21st century. This is exactly what the teachers of the middle and elementary school work for. Without improving the status of elementary education, teachers' status will not be really promoted.

#### To Obey the Law of Economy and Improve Teachers' Remuneration—a Matter Urgently Needing Action

Under fair competition, differences in people's incomes should be based on their work, and on the social value produced by them during work. Distribution according to work is the socialist principle of distribution. More work for more pay is a compensation for a person's extra work, and a recognition of the value produced by him during work. We can no longer ignore the influence of the law of value on the educational sector at a time when commodities, "the born equalitarian" are strutting into every corner of our society. It is imperative that we reassess the value of labor produced by teachers in their work.

The value of labor produced by teachers has added value and long-term effect. The product of teachers' work is educated people. Unlike material products, whose value is calculated according to their price, people cannot be treated the same. A person, who has been processed by teachers and has considerable knowledge, intelligence, and morality, will be the creator of all the material and spiritual wealth of society. His value is higher than any of the tangible products and has tremendous added value and long-term effect. His knowledge, ability, and morality instilled in him by his teachers, will become a foundation for him to repeatedly pursue new knowledge, break new ground, and accomplish new achievements, as well as for his lifelong development. Therefore, the material and spiritual wealth indirectly produced by teachers is beyond estimate.

The historical and international value of teachers' work is obvious. Teachers who pass on cultural and scientific knowledge, literature and art, as well as thought and ideas, are like a bridge which make the continuation and development of human civilization possible. (Usenskiy), a Russian educator, made the following remarks when assessing the functions of teachers' work: A teacher "is an active and earnest member of a big institution which is dedicated to removing mankind's ignorance and bad habits. He is a middleman between historically noble and great figures and the new generation. He is the custodian of the teachings left by those who strove for truth and happiness." He is "a live link between the past and the future." The value of teachers' work is highly durable and expansive in terms of time and space. It is especially obvious today, when opening and extensive exchanges are conducted worldwide.

The job of the teacher involves complicated mental work, as well as fairly hard manual labor. The target of the teacher's work is living people, to be more precise, children, each with his own personality, who are still growing both physically and mentally. Unlike production goods after the same design, the teacher must be immensely creative, flexible, attentive, and caring. The teacher himself must also continue to increase his knowledge and improve himself. The job of a responsible teacher is not confined to specific premises and duration. He is a teacher all the time, either in or out of class, on or off campus. According to the Marxist theory on the value of labor, "a smaller amount of complicated labor equals a larger amount uncomplicated labor." The teacher deserves higher pay for the value his work creates.

In other countries, the pay of brain workers is universally higher than that of manual workers: in developing nations, it is usually three to five times higher. This is in keeping with the law of value. The situation of our country, that is, the average pay of brain workers is lower than that of manual workers, is, I am afraid, a phenomenon rarely seen elsewhere in the world. Moreover, among the already lowly-paid brain workers, the teachers are at the bottom in terms of pay, welfare, and housing.

The fact that the teacher's remuneration does not equal the work performed and the value created has made teaching unattractive as a profession. Restricting teachers' mobility by administrative fiat of one sort or another cannot solve this problem once and for all. Some people say that teaching is a sacred, holy profession, that the teacher should have a spirit of dedication, and that he must not be too occupied with material remuneration. Yes, teaching is indeed a sacred profession that deserves people's respect. However, when teaching is detested as a poorly-paid, hard job at the bottom of society, there is nothing sacred to it. We certainly should promote the spirit of dedication; man has to have some ideals and spirit, and he must not degrade himself to be a slave of money. The spirit of dedication should find expression in loving one's job, in devoting one's energies to the work

one likes, and in working hard and creatively to accomplish something, including sacrificing one's life if necessary. If, however, the value of the teacher's work is not recognized by society, he is not properly compensated for his work, and his basic working conditions are not guaranteed, lopsided emphasis on the so-called "spirit of dedication" will only lead to premature debility or demise of valuable personnel in large numbers. We have already paid a dear price for it and, if things remain unchanged, they will only lead to continued destruction of our productive forces. In our society, it should be glorious to become rich through hard work; if, however, people are not properly compensated for doing complicated and quality work, then all society is promoting laziness and ignorance.

Today, our state has begun to pay attention to this problem and is trying to solve it. On the one hand, efforts are being made to improve the external conditions and to raise teachers' wages step by step; on the other hand, we are taking steps to enhance our internal vigor and are trying out reforms of the internal management system of the school, as well as the wage, personnel, and distribution systems. It is justified to give the teacher more pay for more work and higher pay for quality instruction. Such reform is conducive to mobilizing the teacher's enthusiasm, arousing their initiative, and raising the quality of instruction and the benefit of education.

GUANGMING RIBAO carried a story: "All the teachers of a village-run school in the south quit and the principal became a 'general without an army.' After being notified of the situation, the village committee appropriated some money by itself to raise the teachers' pay. As a result, the teachers who had quit in favor of other professions returned gladly." What is wonderful about this story is that the teachers "returned gladly," not "returned by force." This is what I call attractiveness. Such attractiveness also worked elsewhere. The monthly wage of teachers of locally-run schools in Rulin Village, Anqiu County, Shandong, is over 200 yuan, higher than that of the residents and cadres of the village. They also enjoy many other benefits. In addition to summer and winter vacations, grains, edible oil, vegetables, and coal are delivered to their doorstep so that their attention is not divided. If teachers are treated and respected like this, they will certainly not resign; instead, teachers will pour in from other places. Set out to get rid of poverty once and for all, Daqiu Village, in Ninghai County, Tianjin, offered to pay teachers 400 yuan and excellent teachers in the city proper sent in their applications. By increasing wages and other benefits, these villages demonstrated their respect for knowledge and for teachers; they enabled the teacher to recognize his own value and the value of knowledge.

Many countries around the world have once experienced, or are experiencing, a shortage of qualified primary and secondary school teachers. There is much in the path they have traveled and their experience that we can make use of. After the war, the pay of teachers in

Japan was low and many changed their profession. As a result, there developed a shortage of primary and secondary school teachers and the supply of new teachers was also in jeopardy. At that time, the pay for primary and secondary school teachers was 20 percent lower than that of the business sector. To change the situation and attract fine people to teaching, the Government adopted the "Law for Ensuring Educational Personnel" in 1974. It stipulates that pay increases for teachers will be higher than that of the employees of administrative departments. Later, the wages and allowances of teachers were raised by a big margin. The average pay increase from 1972 to 1978 was 1.4 to 1.8 times. As the teachers' pay increased, their social status also went up rapidly, and many talented people entered the "appealing teaching market." The number of people who wanted to become teachers in 1977 doubled that in 1973. In the spring of 1978, the number of students who applied to the education departments of the 47 state universities was 5.2 times higher than the number admitted. Moreover, students who have obtained a teacher's license must also take the rigorous examinations administered by the prefectures, and only one in five passes these examinations. Teaching has become an attractive job in Japan in the mid-70s until today. We have to admit that the primary reason teaching is so attractive is the excellent economic benefits. The starting pay for a Japanese high school teacher with a bachelor's degree in 1984 was 15 percent higher than his counterpart in a private establishment and 13 percent higher than an engineer. Moreover, in Japan, teaching is a lifetime job. The Government encourages teachers to teach all their lives, with a seniority system and liberal retirement pensions. Japan's experience has drawn the attention of the world.

For many years, there is a saying in the United States, that is, the first-rate students go into business, the second-rate become doctors or lawyers, the third-rate go to journalistic circles and the service industry, and the mediocre students become teachers. The low pay and low social status of teachers have seriously affected the supply and quality of teachers. This situation has made many people of insight worried. Over the past 5 years, the United States has raised the average wage of teachers by 47 percent, far higher than the national average wage increase and the inflation rate (which stood at 2.3 and 1.9 percent, respectively, in 1986). As teachers' wages and social status rise, teaching has become a popular profession and more and more fine students are choosing to become teachers. In many regions, people are applying for teaching positions in record numbers. Many former teachers who changed their professions because of the low pay are now applying for teaching positions. Britain passed a law to raise, beginning from 1987, teachers' pay by 16 percent in 2 years. The Soviet Union and many East European nations also raised teachers' pay by a big margin in the 70s and 80s. Once, the Soviet Union raised the teachers' pay by 30 to 35 percent.

It may be said that the world trend is toward emphasising education, emphasising talent, and thus emphasising

improving the treatment and status of teachers, and seeking ways to attract quality people to become teachers.

### The Basics—the Optimization of Teacher Training

Raising the teachers' pay and improving the quality of teachers are the two wheels for optimizing the ranks of teachers. Improving teachers' pay and the overall social environment will set the stage for optimizing the ranks of teachers. If the quality of teachers is not improved, we shall not be able to achieve the goal of optimization and teaching will not become a genuinely respected profession. Optimizing teacher training (including training before and after they become teachers) is the infrastructure for optimizing the ranks of teachers; it is also the infrastructure of the educational undertaking as a whole.

China has made very great progress in developing education for the training of teachers over the past 10 years. It has trained a large number of new teachers for the development of education in primary and middle schools and has established a system for teacher education after they assume their jobs. Currently, teacher training education faces a conspicuous problem of quality. It is determined by a number of factors, such as the source of students, systems, the conditions for running a school, traditional concepts, and so forth. Its optimization can only be brought about by improving the external environment and deepening the reform within itself. Many problems are worth studying here. First of all, we must study the "concept of teacher training" because all other problems, such as the optimization of the conditions for running a school, the optimization of the system and structure of the education for training teachers, and the improvement of the professional levels of courses and education, are related to the problem of how to correctly understand teacher training education. Some concepts seem to have become diseases of tradition or convention. They maintain that there is no need to have high-level education for training teachers and that it is unnecessary for people to have profound learning to become teachers; or, looking at the issue from another angle, they hold that as long as people have a high academic level, they can be good teachers and that professional training in education is unnecessary. These are a continuation of the traditional concept of "those who possess only a limited vocabulary or have a smattering of knowledge can become teachers." They are not in keeping with the laws of historical development or education.

Teacher training education is a product of the progress of history as well as the development of modern civilization and education. Every country in the world has gone through a stage of growth out of nothing and development from a low to high level. Kindergarten, primary school, and middle school teachers in most developed countries are educated by teacher-training institutions of higher learning or universities. Although the conditions of every country in the world and their respective educational system for training teachers might differ, there is one common trend; namely, every country is dedicated to improving the quality of teacher training education. Each attaches importance to not only

enhancing the levels of basic knowledge in literature and science and in specialized branches of learning, but also to upgrading professionalism in education. Equal importance is attached to training would-be teachers before they take their jobs as well as to continuing their education after they become teachers. Intensified competition in the international community has triggered the fervor for educational reform in many countries. The first to receive the impact of the universal fervor for educational reform is usually teacher training education. Prominent political and economic figures in the United States do not hesitate to make big investments in organizing studies and discussions for a bill to reform teacher training education. Amidst the wave of reform which centers on improving the professionalism of teachers and the education for their training since the mid-1980's, influential research reports such as "Countries Equipped with 21st Century Teachers," "Future Teachers," and "Call for Reforming Higher Education for Training Teachers" have put forward the following common proposals: adhere to a high standard in teacher training education; work to promote the professional status of teachers through high standards and high levels; and strive to achieve a better social position for teachers through a superior professional status. Teacher training education in the Soviet Union has also entered a phase of all-round reform which aims at attaining high standards. Its trend of development will be to further strengthen the role of universities in the advanced education for training teachers; to make universities and some industrial institutions of higher learning assume heavier tasks in training teachers; and at the same time, improve professional training in education so as to better integrate "teacher-training characteristics" with "academic characteristics."

Taking the current situation into consideration, we must increase our input if we want to increase the quality of teacher training education. We have limited financial and material resources and therefore do not have the conditions for indulgence in high input and high expenditures. However, this does not mean that we must halt every project. While curbing unreasonable input in projects which are not urgently needed at present, we must ensure progress in building energy and communications infrastructure. This is for our future and for maintaining sustained development. We have not restricted input in the field of high-technology in order to be ranked among advanced countries in the world and to occupy an advantageous strategic position in the international community in the 21st century. Education is the infrastructure of the entire society; and teacher training is the infrastructure of infrastructures. Without sound infrastructure, how can we build a sound mansion? We should not spare money in areas where expenditures are necessary. This calls for strategic foresight. Recently, Comrade Deng Xiaoping stressed again: "We must solve problems in education by every means possible by exercising a little patience in other areas and even by sacrificing a little speed."

Increasing input does not ensure that quality will be improved. A series of supportive measures are still required to achieve effectiveness and high return of input. One

conspicuous problem affecting the quality of teacher training education and returns on investment is that of the teacher training system. For example, there is too much small-scale running of schools and locations are too scattered. Everyone wants to run a small school which has everything (some are even anxious to become a "primary school with first year middle school classes attached" with the hope of being upgraded someday). As a result, barriers exist among counties, regions, and provinces themselves, between regular college and vocational courses, between institutions of higher learning and special or technical secondary schools, between before the job and after the job, and between teacher training schools and schools which do not offer teacher training courses; numerous exclusive sectors are formed; and limited funds are divided, leading to low investment returns and low quality. Of course, such a system is a result of certain historical conditions. It has its historical merits, but its ills are gradually brought to light along with the development of history. Improving the quality of teacher training does not mean each area should blindly strive to upgrade its schools. (It will only lead to overall lowering in quality and investment returns.) It means, rather, that we must adopt various liberal policies to break free from barriers; carry out various forms of cooperation in running schools; jointly or by division of work (by bringing into play the superior conditions of each) give play to the strong points and potentials of universities and other institutions of higher learning (like vocational and technical teacher training in industrial and agricultural universities); strengthen functions of teacher training ("teacher training education" has a larger extension than "normal schools"); and open channels for smooth circulation of teachers, so as to enable stagnant water to flow again. Of course, improving the quality of teacher training education will still rely on a series of reform measures concerning a school's internal administration, courses, subject matter, and methods of teaching.

In general, it is necessary to enhance the status of teacher training education, strengthen its role, expand its extension, and deepen its objectives so as to ultimately optimize teacher training education and train a contingent of excellent teachers. (The author is a member of the Xiamen city Educational Science Research Office of the Xiamen City Jimei Teachers Institute.)

**Thoughts on the Phenomenon of 'People Not Obeying Existing Laws'**  
*OW1803012889 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb 89 pp 9-13*

[Article by Li Maoguan 2621 5399 4619]

[Text]

I

China has done a great deal of work in the building of legal systems and has scored gratifying achievements in this respect since the 3d plenum of the 11th CPC Central Committee. During these 10 years, except for the Constitution of the People's Republic of China, which is currently in force, the National People's Congress and its

Standing Committee have made 80 laws and passed 20 decisions on law revisions and additional regulations and 40 decisions on legal issues. In the meantime, the State Council has formulated over 900 administrative laws and regulations; and every province, autonomous region, and municipality has drawn up more than 1,000 local laws and regulations. Though much work remains to be done, and though, in particular, the economic and administrative legislation remains to be further improved, generally speaking, we have preliminarily established a socialist legal system based on the Constitution. Our achievements in other areas of the establishing a legal system, such as setting up a sound legal system working organ, restoring and perfecting every judicial system, continuously expanding the legal system work team, making vigorous efforts to develop the educational undertaking of the science of law, spreading the education in law among all the Chinese people, and so forth are also obvious to all.

While we are deeply gratified at our achievements in the building of legal systems over the past 10 years, we cannot help but be worried to see that the phenomena of serious deviation from the principle of handling matters according to law occur in our actual life from time to time, that the actual results of law enforcement and law abidance fall quite short of the anticipated target of our legislation, and that the situations of not abiding by laws, not strictly enforcing the laws, and not investigating violations of the law are quite serious in some localities and departments. For example, though we have formulated the "Forest Law," the "Trademark Law," the "Environmental Protection Law," the "Foodstuff Hygiene Law," and the "Mineral Resources Law," the phenomenon of indiscriminate and illegal logging and deforestation is still not brought under control; there are still many people who counterfeit trademarks and produce fake commodities of poor quality; the situations of environmental pollution and destruction of ecological balance are still very serious; the foodstuff hygiene still shows little improvement in every area; and the chaotic phenomena of indiscriminate and unauthorized mining and destruction of resources still happen despite repeated prohibitions. Though we have formulated the "Economic Contract Law," instances of changing or canceling a contract and conducting business transactions not in accordance with a contract are still common occurrences. According to a report by the CHANGJIANG RIBAO, there are on average 2.59 million contracts that are not fulfilled in Wuhan City every year, while the contract-violation rate of the city is far below our nation's average level. Though we have already promulgated the "Marriage Law," the phenomena of young couples getting married under the lawful age, marriage without registration, and marriage arranged on the basis of a business deal are still quite common in rural areas. Though we have formulated the "Compulsory Education Law," the phenomenon of employing school-age girls in the countryside and employing children by factories and mines still persists in many areas. The existence of the phenomena of not

abiding by laws where they are provided has offset in part our achievements in legislation, has lessened people's trust in the laws of the state, has damaged the dignity and authority of the laws, and has affected the effort to foster the concept of legal system among the people. Moreover, it is also an important reason for causing the unsound economic environment and chaotic economic order at present. Conscientiously solving the problem of people's not abiding by laws where they are provided and really and effectively guaranteeing full implementation of the existing laws are the pressing tasks for the building of legal systems in our country at present.

## II

There are numerous complicated reasons why so many people are not observing the law. In addition to inadequate legislation, here are some major reasons:

1. Authority is placed above the law. Today, there may not be many people openly declaring that authority is superior to the law; in real life, however, it is not uncommon for some people to think their word and authority can supersede the law or their "authority carry more weight than the law." The masses have a very strong reaction to that. In the past 10 years, although we have achieved a lot in our political reform, a power-checking mechanism has yet to be established. We have no tough measures whereby we can impose legal check on those in power when they exercise their authority and mete out legal punishment when they go beyond their authority and violate the law. Many people in power like to think they are special, that they are only meant to control the ordinary people, and that people like themselves are above and beyond the law and are not bound by law in a way. Some of them even use their power to commit crime and then use it as an amulet to escape legal punishment. Judicial and law enforcement departments often complain that "enforcing the law is no job"; the most difficult part of it is the interference by those in power. In the real life, it is very common to see that laws and regulations are distorted and twisted by a word, a note, or a gesture from some leader or another. The occurrence of law violation and crime and the difficulty to stop it more often than not have something to do with the connivance, support, cover-up, and even direct involvement by some of those in power.

2. The relationship between the party and the law has not yet been put into right perspective. The party has clearly explained theoretically the relationship between the party and the law; that is, on the one hand, the party will uphold its leadership in the work of the legal system, on the other hand, the party must act within the limits of the constitution and laws. That theoretical explanation, however, has not yet been completely grasped by the people. For a long time, we have put undue emphasis on the centralized party leadership and established a highly centralized political system. As a result of this, the people have come to think that the party can take care of

everything and intervene in everything. Even today, many party cadres, especially leading cadres, under the influence of traditional concepts and mentality, still see, consciously or subconsciously, party organizations as a "power center" that can give orders to state organs. They believe that party organizations are free from legal binding force to command and intervene in everything. That party committees in some localities annul the results of people's congress elections, willfully replace government and judicial leaders without going through legal procedures, or directly intervene and even take over the work of judicial organs, can be traced back to not having the relationship between the party and the law put into the right perspective.

The mistreatment of the relationship between the party and the law can also be detected in some people's understanding and handling of the relationship between party policies and state laws. Party policies and state laws are two different social readjustment mechanisms. Both differ greatly from each other in function and in practice. Policies can guide laws, but not replace them. The party cannot implement policies in contradiction with the Constitution and laws. However, due to some historical and structural reasons, for a long time, we have placed the party above the law, emphasized policies, disregarded laws, and substituted policies for the law. As a result of that, many party cadres have come to believe that "policies are laws," "we can do without laws as long as we have policies," and "policies are above laws." These days, there are still many localities and units who are to various extents inclined to emphasize policies, disregard laws, and substitute policies for laws; and some of them, under the pretense of reform, arbitrarily repeal or revise laws and regulations without going through legal procedures. They are all victims of the traditional concepts and old habits.

3. Partiality in dealing with interests: During the past 10 years since the reform was started, there has been a big change in the structure of interests in our society, resulting in a new pattern of interests. The introduction of the output-related contract responsibility system based primarily on private family business in rural areas and the expansion of enterprises' decision-making power in cities have enabled rural and urban production units at the bottom level to enjoy certain interests independently, and these units have become relatively definite interest bodies. Also, with the strengthening of the economic reform, a number of new forms of interest bodies have appeared at different levels, including rural and urban households engaged in private family business, village and town enterprises, and cooperative economic organizations such as conglomerates and joint ventures. However, we have as yet no specific law to use as a basis for effective adjustment of the complicated interest relations among these interest bodies. Inevitably, this has caused confusion, conflicts, or partiality in some aspects of the interest relations. As a result, some interest bodies have disregarded law to satisfy their own needs for interests. For the purpose of their own interests, some

enterprises have engaged in illegal business at the expense of interfering with and disrupting the economic order and damaging the interests of the state, other enterprises, or consumers. This is a conspicuous reflection of failure to comply with the law due to partiality in dealing with interests.

In particular, it should be noted that partiality in dealing with interests on the part of local governments is a major obstacle to the serious enforcement of law. Due to the streamlining of administration, decentralization of power, and division of revenue and expenditure between central and local governments, the interests to be enjoyed by local governments have become increasingly apparent. On the other hand, the change and division of government functions have not yet been realized. Now, local governments at various levels are not only representatives of owners but also managers, and they function as both a law-enforcement person and an "economic person." Meanwhile, the economic target is often used as a primary or even the sole criterion for judging the performance of a government. Under the circumstances where the relations between the central and local governments regarding administrative and financial powers have not yet been straightened out, it is unavoidable for local governments to be partial in dealing with interests. Such being the case, when acting in accordance with the law contradicts their economic interests, local government will naturally evade or openly violate the law and hurt its dignity to maintain its own economic interests. Apparent examples are that some local governments have acted against the law to reduce certain taxes and allow some local enterprises to retain a greater portion of profit, and they have "turned a blind eye" to the illegally operated enterprises and units in their localities.

Local governments' partiality in dealing with interests also finds expression in the fact that they have illegally intervened in the judicial and law-enforcement work and practiced protectionism to preserve local interests out of their narrow-mindedness. Because of their intervention, some local courts have been partial to local people and units and given unfair verdicts, refused to help do the work requested by other courts, and made plans for the persons or units in their localities that are subject to punishment. More often than not, the units punished by local departments of supervision are enterprises that do not belong to local financial departments but are under the direct jurisdiction of the higher authorities. Local enterprises that have evaded tax or have made other law offenses can often go unpunished. There is no doubt that the local protectionism practiced by judicial and economic supervisory departments will damage the unification and authority of the state's legal system and injure the reputation of judicial and law-enforcement departments.

**4. Negative effects of traditional law and culture:** Having been passed down from generation to generation, China's traditional law and culture (primarily feudal law and culture) have gradually become a solidified national

ideology, which has long affected the understanding, belief, sentiment, assessment, identification, concept, and attitude of people of all social strata regarding the law. After the founding of the People's Republic, we have ignored the building of a democratic legal system and paid no attention to eradicating the pernicious influence of the feudal ideology. Consequently, the mindset, decadent ideas, thinking, and habits inherent in the traditional law and culture against acting according to law have not been eliminated. On the contrary, they have assumed a new form to survive in the new social reality and become a potential obstacle to the observance of law. Besides the thinking that power is more important than law and rule by man is better than rule by law and the concept about special privilege at certain levels as mentioned above, the following are other prominent traditional ideas that have a negative effect on people's compliance with the law.

It is better to submit to "private trial" and "private settlement" than to "official trial" and "official settlement." Under the system of exploitation, it was "the gate to the government office is wide open; with right but no money, don't go inside." With reason to start a litigation, the common people often ended up being accused of being in the wrong, and even unjustly sentenced. It was because of this that the common people were afraid of and hated laws. In addition, due to the fact that the social structure was based on a patriarchal clan system and influenced by its concepts and habits, many disputes among the people were often settled within a patriarchal clan or between patriarchal clans in a manner other than legal proceedings. This, plus the influence of the admonitions passed down from the ancestors that "one lawsuit will result in 10 years of animosity," had thus resulted in the shaping up gradually of the traditional sense of law that made the people to believe it was better to submit to "private trial" and "private settlement" than to "official trial" and "official settlement." Today, many people are still negatively influenced by this kind of traditional mentality. Instead of relying on the law to settle their problems which should be settled in accordance with the law, they choose "private trial" and "private settlement" outside of the law.

Ethics and moral principles carry bigger weight than law. China has always been a country of etiquette and rites that attaches importance to human relations and ethics instead of advocating rule by law. Social consciousness of the people is maintained by relying on the ethical concepts established on the basis of the patriarchal clan system. This traditional concept that ethics and moral principles carry more than law has been passed on from generation to generation and remains as popular as ever. Most typically, the concept is manifested in the attitude that human relationship comes before the law. Influenced by this erroneous concept, some people would take human relationship into consideration when dealing with law-breaking and criminal activities. They remain silent to, are partial to, shield, or even connive at law-breaking and criminal activities although they know

full well that these are activities violating law, simply because the persons involved are their relatives, townsfolk, alumni, or colleagues. People who are a party to a lawsuit, even if they realize they are in the right, would still seek contacts and curry favors before they go to court, because otherwise they would not feel safe for themselves. Some judicial and law-enforcement personnel, who have accepted "favors fee" or "favors tax" because they have not been strong enough to resist it, would let human feelings take precedence over the law. They are blemishing the dignity of the law because the cases handled by them are cases of favor, and the court decisions reached by them pervert the law. Another typical manifestation of this concept lies in the attitude that the principal yardstick for conduct remains the belief that traditional ethics are more important than law. In the minds of the citizens, the current criterion for one's conduct that one should act in accordance with the law is still in the process of a contest with the traditional ethics and human relations. When choosing the yardstick of conduct in everyday life, some people would first or mainly consider it in terms of the traditional ethics rather than thinking about the law. For example, some women who have been submitted to acts of violence would rather suffer it than resorting to the law, because they are worried about their own "chastity" as well as the "reputation" of the family and clan. In so doing, they are not only doing nothing to protect their personal rights but also winking at the crime.

**Passively observing law and paying no attention to rights.** Having lived under the feudal rule for a long time, the common people in China are only aware of their obligation to observe law and rarely are they able to seek protection under the law for certain rights. This has made the common people form a passive concept of law to passively observe law while neglecting their rights. "They have rarely considered whether any deprivation or infringement of their basic personal rights is right or wrong in the eyes of the law."<sup>1</sup> Influenced by this traditional sense of law, many people today still are only aware of the need to avoid crime and keep from punishment and "would rather die of injustice than suing anyone," without having any knowledge or courage to use law as the weapon to protect their own rights.

**5. The system of supervision over law enforcement is not perfect, and the quality of law-enforcement personnel is poor.** Lenin pointed out: "What methods are generally used to make sure law is implemented? First, exercise supervision over the implementation of the law. Second, punish those who fail to enforce the law."<sup>2</sup> It was very right for Lenin to list the supervision over law enforcement as the first thing to do to ensure the law is implemented. Because for a long time we have not paid enough attention to this important link of law enforcement supervision, the law enforcement supervision system has yet to be perfected. For instance, we still don't have a law of procedure for effective supervision over any violation of the Constitution, and the law enforcement supervisory work of the various people's congresses

at various levels and their standing committees has not been systemized and standardized. There is still a lack of the necessary guarantees for the state procuratorial organs, which are established exclusively to exercise law enforcement supervision, to independently exercise their procuratorial rights. Their supervisory functions are not completely spelled out. Since the organization, system, and personnel for the enforcement of administrative law and regulations are not perfected, they still fall far behind the need for administering the government in accordance with the law. The weakness of the law enforcement supervision system inevitably creates a "relaxed" environment and atmosphere for law breakers. It also fosters and strengthens the idea among the people that they can leave things to chance because they might not be punished for their law-breaking and criminal activities.

Although we now have a better contingent of law enforcement personnel, they are still far from meeting the requirements of the present situation and tasks. For various reasons, the political and professional qualities of a considerable number of law enforcement personnel are not high. As far as educational levels are concerned, only about 10 percent of the cadres of law courts and procuratorates at various levels across the country have a professional knowledge of the college level or above. Some law enforcement personnel even do not have a minimum sense of devotion and responsibility, and some others even have no knowledge of the basic professional ethics. In enforcing the law, a small number of personnel abuse their positions and powers in violation of the law and discipline and even commit crimes. The low quality of law enforcement personnel is bound to direct affect the results of law enforcement.

### III

The objective requirements of reform and modernization and the reality of the developing legal system in our country urgently call for us to pay close attention to solving the problem of laws not being observed. We should regard it as a task of top priority to enforce the law to the letter and to ensure that the existing laws are implemented. To this end, the following measures are suggested:

It is necessary to do a better job in legislation and to improve the present legal system. Now further efforts should be made to step up economic and administrative legislation in order to bring all social and economic activities into the orbit of the legal system and to set basic standards and procedures for administrative activities. Efforts should be made to perfect various laws and regulations guaranteeing the full exercise of democratic rights by citizens to effectively protect their democratic rights as stipulated in the Constitution. Laws should be enacted in a systematic and planned way, attention should be paid to the integration and unification of laws and regulations, and various laws and regulations should complement one another. It is necessary to properly

handle the stability of laws and regulations and their timely changes. While stepping up the work of enacting new laws, we should timely revise, add new articles to, or improve the existing laws and regulations. Laws, regulations, and legal standards the circumstances for whose implementation no longer exist should be annulled in good time. In short, a fairly complete legal system, composed of various major and supplementary laws, which are clearly defined and in harmony with one another, should be established through coordinated effort. This is also a basic prerequisite for the legislative and law enforcement organs and people who abide by the law to coordinate their actions.

It is necessary to further straighten out external relations affecting law enforcement and to strengthen the reform of the judicial structure. In the form of laws and regulations, it is necessary to differentiate and clearly define the functions, responsibilities, jurisdiction, and limits of authority of party and state organs (people's congresses and government and judicial organs) so that party organizations, people's congresses, and government and judicial organs each will exercise their own functions and fulfill their own responsibilities. Then, such party organizations, people's congresses, and government and judicial organs will restrict, keep in contact with, and cooperate with one another. At the same time, strict administrative and legal measures should be adopted against acts violating the provisions of the Constitution and laws. This is aimed at ensuring that the party conducts its activities within the limits permitted by the Constitution and that people's congresses and government and judicial organs will independently exercise their respective functions according to law. It is essential to further perfect and reform the leadership and management systems of the judicial organs. While upholding the party's leadership over judicial work, we should strictly distinguish between the functions of the party and those of state judicial organs and readjust the relations between the party and the state judicial organs. It is necessary to build and improve mechanisms for public security, judicial, and procuratorial organs to restrict one another and to straighten out the internal relations of various departments. The cadre and financial management systems of the judicial departments should be reformed. Through such reform, the constitutional principle that judicial organs independently exercise their functions according to law will be effectively implemented.

Perfect the mechanism of supervision and effectively strengthen supervision over law enforcement. First, it is necessary to vigorously strengthen supervision over the organs invested with power. The people's congresses and their standing committees must regard supervising the strict enforcement of the Constitution and other laws by the governments, law courts, and procuratorates as an important task and gradually systematize and regularize their supervision work over legal matters. Second, it is necessary to strengthen the procuratorial organs' supervisory functions. It is necessary to reform the procuratorial organs' leadership system, guarantee the procuratorial organs' independent supervisory rights, expand

their scope of legal supervision, and strengthen their role in protecting the enforcement of the Constitution and supervising over the enforcement of civil and administrative laws while strengthening supervision over the enforcement of the criminal law. Third, it is necessary to strengthen supervision over the enforcement of administrative laws. It is necessary to further improve the administrative supervisory organs and other organs of supervision over the enforcement of administrative laws, fill them up with necessary personnel, and perfect various systems so that they can effectively fulfill their duties and ensure the implementation of various administrative laws and regulations. Last, it is necessary to bring the role of social supervision and the supervision by public opinion into full play. It is necessary to perfect relevant laws to ensure the citizens' full exercising of their rights of suggestion, criticism, appeal, complaining, accusing, impeachment, and recall as guaranteed by the Constitution, so that the various law enforcement activities are effectively supervised by the masses. It is necessary to strengthen journalist legislation so that supervision of law enforcement activities by organs of public opinion is protected by law.

Strengthen the buildup of a law enforcement contingent. Currently, it is necessary to lay emphasis on raising the law enforcement personnel's political and professional quality. The law enforcement organs should carry out their own reform and building, combat influences by concepts of feudal laws, and establish concepts of the law that meet the needs of a socialist commodity economy. Qualification standards and system must be established for evaluating the currently law enforcement personnel. Only qualified personnel will be assigned jobs, while unqualified personnel will be retrained and given a certain time limit to improve and become qualified or be transferred to other appropriate jobs. It is necessary to further improve the recruitment, evaluation, training, promotion, commendation, and punishment systems, thereby ensuring the improvement of quality of law enforcement personnel. People's congresses and their standing committees must conduct periodic and surprise general inspections of the status of enforcement of laws and regulations currently in force and systematize and regularize these inspections to make the law enforcement personnel continuously enhance their consciousness of law enforcement, raising their proficiency, and improving their ability in law enforcement.

Strengthen education in the legal system and raise the whole people's consciousness of law. The degree of perfection of a nation's legal system is often reflected by the degree of consciousness of the law among its citizens. The degree of consciousness of the law among the leaders and other personnel in the organs of state power and the government and judicial systems is extremely important to perfecting the state legal system and developing the consciousness of the law in the entire society. More importantly, the degree of consciousness of the law among members of the political party in power is directly linked to the future and fate of the rule of law of a nation.

Therefore, fundamentally speaking, the solution to the problem of "not observing laws" must begin with education to enhance the consciousness of the law of the whole society, particularly the whole party. Therefore, it is necessary to sum up the experience in spreading legal knowledge over the past several years, exploit the results already achieved, eliminate the unhealthy tendency of formalism in some localities and departments, and continuously strengthen the education campaign to spread legal knowledge. It is necessary to regard the leading cadres and law enforcement personnel in party and state organs at all levels as principal targets of education in the legal system and make them continuously raise their concept about the legal system, enhance their legal quality, and consciously enforce and abide by laws, thus leading the entire society and the whole people to raise their consciousness about the law and make obeying the law a social practice.

(The author is a member of our staff.)

#### Footnotes

1. Wang Yanan, "A Study of the Bureaucratic Politics in China," p 45.

2. *The Collected Works of Lenin*, Vol II, p 233.

#### Two Questions Concerning the Introduction of the Competitive Mechanism

OW1703051589 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 14-16

[Article by Huang Hongji 7806 3163 1015 of XUEXI DAOBAO 1331 5045 1418 1032, a Henan journal]

[Text] Competition is an innate rule of commodity production. Following the development of the socialist commodity economy, free competition has inevitably appeared in all social sectors in China. This is not something which is subject to the people's will.

For years China's socialist national economic development was sluggish, its commodity supply was inadequate, the quality of its goods poor, many of its products were not what the people really needed, its economic performance was poor, its bureaucracy was serious, and its workers lacked initiative. While there were many reasons for these defects, the lack of competition was certainly one of them. Under such a system, the superior one was not awarded and the inferior one was not replaced. Everyone was the same, and everyone comfortably "ate from the same big bowl." Since there was no pressure, nobody had any motivation and everybody muddled along, and if there was someone who did not, it would be strange indeed!

Following the reinstatement of the college entrance examination in 1977, we have gradually introduced the competitive mechanism in all areas, including in units which produce material goods as well as departments

which produce spiritual goods. Although it has not been long since the competitive mechanism was introduced, we can say now that where there is competition there is an enterprising spirit and vitality.

Under the current situation where competition actively prevails, I think that we must seriously study the following two questions so that competition can be properly guided.

#### 1. Can All People "Start From the Same Starting Line"?

The principle of equality is a typical feature of competition in modern society. The "principle of equality" is quite clearly demonstrated in competition. First, there should be one yardstick for judging competition—this is the issue of whether or not everybody should start from the same starting point. That is to say, the social environment and opportunity should be the same, and the yardstick should be the same. In competition, all competitors can only count on their own skills and capabilities and no one is allowed to be above the set standards. Second, equal conditions must be integrated with openness. Only when all conditions of competition are open to the public and everyone has an equal chance to compete can we attract more competitors. When equal competition proceeds openly, "potential" talents can come to the fore, and only when each and every stage of competition proceeds openly can the competition be conducted in front of the people and be supervised by them. This is why a horse race is better than a "horse show." Third, there should be "regulations for competition" so that competition can be institutionalized, standardized, and codified into law. It was pointed out in the report of the 13th National Party Congress that "what ought to be encouraged should be specified as much as possible by means of legal or institutional means." Owing to the nature of competition—namely whatever is inferior must be replaced by what is good—there must be regulations or rules to be followed. For example, in an examination room there must be examination rules, and in a stadium there must be regulations governing the conduct of athletes. Whenever necessary, these regulations and rules must be supported by law so that they can be implemented.

Some comrades point out that during the initial stage of socialism, "equal rights" and "starting from the same starting line" are unrealistic fantasies. Under the current situation, the issue of whether or not people can "start from the same starting line" must indeed be discussed. It is true that, owing to low productivity during the initial stage of socialism, living, educational, and work conditions for different competitors are not the same and universal "equal rights" do not exist; and that because of the innate quality, environment, and difference in education, capabilities also vary from people to people. All these are undeniable facts, and because of this people cannot really "start from the same starting line." It must be pointed out, however, that, by "equal conditions" in competition, we are not referring to equality in innate quality and talent. Instead, we are talking about equal opportunity, equal

environment, and equal rights for all competitors. Of course, if in these three areas conditions were widely different, it would be unrealistic for people to talk about "equal rights" in terms of their qualities and skills. In fact, even equal opportunity with regard to education cannot be attained within a short time, but, what can be achieved, if people worked hard to achieve that goal, would be for them to have equality in grading, in standards, in available materials, and in opportunities.

Recognition and employment of the competitive mechanism are an important part of China's all-round reform, and creating an environment for fair competition is the key to the success or failure of introducing the competitive mechanism. Currently, the public often discusses the question of social fairness and is disgruntled about the serious disparities in personal income. But if we take a deeper look at the problem, we can see that the public's disgruntlement is not aimed at those who make more money by "doing more work" or by "being more able" than others. The focus of their disgruntlement is precisely that not everyone has been given equal opportunity. In the final analysis, the public's indignation over such practices as entering through the back door, currying favor with those in power, "bureaucratic profiteering," and appointing people by favoritism have all been created by an environment of unequal opportunity. One of the important goals of the current campaign to improve the economic environment and rectify the economic order is creating a competitive environment with "equal opportunities." "Survival of the fittest" and the wide disparity of income caused by differences in ability and achievement of different people can be understood and accepted by everyone. Some college students have said it well: "We are not afraid of competition. What we fear most is unfair competition where only 'relationships' count." If "mutual choice" between employers and employees was turned into a "contest of relationships," then there would be no place for fair competition, and public disgruntlement will not disappear. In the current situation of fierce competition, what the people want is an environment of equality and a commensurate policy that guarantees it.

"After having suffered so many years under egalitarianism, are you going to ask us to practice egalitarianism again?" For many years, we have indeed consciously or subconsciously regarded socialist equality and egalitarianism as one and the same thing and have confused one with the other. This deeply rooted egalitarianism is currently a major ideological obstacle to promoting competition. Clearing away this obstacle is an arduous task facing us at the moment. Then, does promoting equal opportunities also mean promoting egalitarianism? Clearly, a line of demarcation must be drawn here. The policy we advocate and implement in the current economic structure is that of providing more rewards for more work to widen the gap in personal income. In the current labor system, we have implemented optimum labor combinations and allowed unemployment. In the current education system, we have replaced stipends

with scholarships and implemented a mid-term screening system for college students as well as a teacher hiring system. In personnel policy, we have openly invited applications for job vacancies and established a government functionaries system. All this, without exception, is aimed at providing equal opportunities. Following a high degree of development of productivity, the difference of ability between different people will become smaller and smaller but the opportunity for fully developing one's ability will expand more and more. But "it is only natural that different people have different ability." Because difference in ability and talent is an objective reality, under no circumstances can they be made to disappear. In the era of "control" in the past, individual quality and ability were often overlooked. But the situation is different today. Because in today's fierce competition, individual quality and ability are principal variables in enterprises and society, their impact on society and enterprises have become more and more direct and obvious, and more and more people have come to attach great importance to them. The equal conditions, opportunities, and rights we have particularly stressed here are not aimed at promoting egalitarianism. On the contrary, they are aimed at showing individual differences, better developing individual abilities and talents, and raising individual qualities so that they can make still greater contributions to the collective and the nation.

## 2. Efforts Must Be Made To Raise One's Capability To Psychologically Cope with the Idea of "Survival of the Fittest"

The competition to be the fittest in a contest of survival inevitably creates a psychological shock among people. This kind of shock not only provokes people's initiative to do things, but also can stir up feelings of being part of the lost generation. Improving people's ability to cope with this kind of shock is an important condition in developing this kind of competitive mechanism in a smooth way. Here, we are mainly referring to the people's capability to realize, understand, and accept the competitive mechanism and their capability to deal with the psychological shock created by one's success or failure in the course of competing with one another as well as one's capability to adjust oneself. People in China have always lacked an ardent spirit for competition, as they have lived for a long time in a pure natural economy. Their "sense of security and stability" and "aloofness from worldly success" have become a traditional and social mentality which has prevailed over a protracted period. The old system of peacefully "eating from the same big pot" has prevailed for a long time since the founding of new China. Over a protracted period, we have also overemphasized man's social values, while ignoring man's individual values. This old system and overemphasis on social values has helped the growth of the aforementioned traditional and social mentality. Therefore, neither mass organizations nor individuals have been very good in adjusting themselves to risk and sudden changes. They are less capable to cope

with adverse developments and setbacks. The introduction of the competitive mechanism in every field has indeed brought vitality and vigor to socialist society and helped quicken the pace in marching forward. However, this trend has been followed by a series of shock waves. Everyone knows that any competitor's victory ends with a setback on the part of his opponent. Whenever some enterprises get ahead, there are others that declare bankruptcy. In the course of competition there are winners, but there are also losers. In an examination room, there are people who pass the tests, but others who fail. Thus, it is unrealistic to believe that those who take part in competition are only willing to taste the "sweet fruit" of victory, while refusing to taste the "bitter fruit" of failure. Competition upsets not only the existing state of affairs of things, but also the original psychological balance. Unless we are mentally prepared in this regard, we will definitely lose our psychological balance. Not long ago, a newspaper report revealed that a parent beat his own children to death because of the latter's poor grades in an examination. Another report said that a student strangled his parents to death for fear that they would reprimand him for his poor test results. One of the reasons of such tragedies is the negative factor caused by competition. In particular, these people are not mentally prepared for "tragic consequences." They often fail to adjust themselves mentally and psychologically to the new environment, new situation, and new problems they face in the course of competition. Once they fail, they feel despair. This is precisely the motive causing these human tragedies. One's capability to psychologically cope with strains as an individual in competition is only one aspect of the problem. The other aspect of the problem is one's capability to cope with the strains from society in the course of competition. For example, the aforementioned cases are individual examples which occur as a result of competition. However, what they provoke is an overall shock in society.

How can we help people improve their capability to psychologically cope with strains? First, in the realm of ideology we must strengthen efforts to eliminate outmoded ideas and disseminate new ones, and strive to achieve a new psychological balance. The concept of competition and the dual nature of the competitive mechanism—its functions and consequences—are nothing strange to people in economically developed countries. Their ability to psychologically cope with strains in the course of competition is much better. However, Chinese people need to go through a process of popularizing the concept of competition and deepening their understanding of the dual nature of the competitive mechanism. Only by continuously helping people reshape their concepts and working hard to eliminate the old ideas deeply rooted in their minds, can we make them change their old concepts, develop a new sense of values, and achieve a new psychological balance. Second, we must help all people raise their "awareness of crises" and "awareness of hardships." In this respect, Japan is a nation with the highest level of "awareness on hardships." The Japanese people often say: "Japan lacks

land and natural resources. We only have sunshine and air." They feel the pressure from competitors at all times, and work and study hard to defeat them. This is precisely one of the important reasons why Japan has been able to achieve such economic miracles after the war.

During the current situation of sharp competition, we must help people improve their capability to psychologically cope with strains in dealing with adverse environments and setbacks. We must help them realize that there are always two possibilities, and that they should be mentally prepared for these two possibilities so that they will be happy when they score victory but do not feel bad when they lose to their competitors. We must help them understand that so long as the people are good at summing up experience, and continuously raise their awareness, they will become wiser, more mature, and stronger in the course of enduring setbacks, turn failures into successes, and distinguish themselves in the next round of competition.

A nation which is unable to deal with competition will never survive in a modern world in which many powerful nations compete with one another. Right now, the competitive mechanism has already entered every aspect of our life. It has broken the silence in our society and filled it with excitement. We have no reason to avoid and fear it. Still less should we discard it, simply because it has some shortcomings. Our responsibility is to study it, and learn how to make full use of it to promote what is beneficial and abolish what is harmful; to do our very best to limit its side effects; and to make it serve our modernization program in a much better way.

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### Regard the Feelings of the Masses as the First Signal

OW 1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 17-20

[Article by the Propaganda Department of the Tianjin Municipal CPC Committee]

[Text] The people are the center of history, while reform is the people's undertaking. The success of our practices in improving the economic environment and rectifying the economic order hinges on the understanding and support of the broad masses of people. If we do things according to the will of the people, everything will be fine. Therefore, to pay attention to the feelings of the masses, maintain harmonious relations with them, and create a fine environment for strengthening reforms in an overall manner is of great significance to the smooth implementation of the various tasks laid down by the 3d plenum of the 13th CPC Central Committee. During the past several years, the Tianjin Municipal CPC Committee has always paid full attention to the interests and feelings of the masses, regards such interests and feelings

as an important factor in tackling issues and carrying out work. It had also asked leading cadres at all levels to regard the feelings of the masses as the first signal, learn how to maintain harmonious relations with the masses, and continuously improve their skills in exercising their leadership.

#### **The Feelings of the Masses Constitute an Important Basis To Help the Leadership Make Policy Decisions**

We must attentively listen to what the masses have to say, know how to probe the feelings of the masses, and ensure that all our policy decisions and measures conform with the will of the broad masses to win the support of the broad masses of people. This is a basic requirement in following the party's mass line and an important form of art in exercising leadership.

In the practice of the Chinese revolution, all correct policy decisions reflect, in a concentrated form, the views and feelings of the broad masses. Our party is able to make strenuous efforts to turn the tide and overcome all difficulties in the course of our advancement, simply because we are able to take into consideration the desires, requirements, and feelings of the people. During the historical period with the new system replacing the old, shortcomings and mistakes in our work are inevitable. Inflation, the uneven distribution in society and certain signs of passivity and corruption which appear within the party and in society have given people bad feelings. The 3d plenum of the 13th CPC Central Committee has laid down the guideline that our orientation in carrying out reform must be unwavering, and our measures and steps must be resolute and reliable, suited to the situation and proper and well-founded. This guideline is geared to actual circumstances. It conforms to the will of the people and will invariably win the understanding and support of the people, and help the reform program forge ahead. In making any policy decision and working out any measure, we must take into consideration the feelings of the masses and conform to the will of the people. Otherwise, the masses will be in low spirits or even angry. Thus, it will be impossible to do things well. The feelings of the masses often timely reflect their impression, understanding, and attitude about the various social phenomena in their actual life. Therefore, to ensure that all our policy decisions and measures conform to the will of the people and meet their requirements, our leadership must regard the feelings of the masses as the first signal and promptly analyze them.

The most basic feelings of the masses reflect their views of their immediate interests. In making policy decisions, leading comrades must work hard to wholeheartedly help the masses solve their actual problems and meet the increasing requirements of the masses in material and cultural life. As early as in the period of the War of Resistance against Japanese Aggression, Comrade Mao Zedong pointed out in the Shaanxi-Gansu-Ningxia Border Region: All empty talks are useless. We must give actual benefits to the people. Our first task is not to make demands on the people, but give things to the people.

That is to organize and lead the people and to help them develop production and increase their material benefits. Only after our first task has actually yielded results do we carry out our second task—making demands on the people. Only then can we win the support of the people. Only by doing so can we carry out our work without difficulty and fulfill our tasks smoothly. This is our party's basic line and fundamental policy. When we review the aforementioned passage of Comrade Mao Zedong's remarks which he made more than 40 years ago, it still touches our hearts. We think that this passage is of immediate significance. During the influence of the "leftist" practices, particularly the interference of the Cultural Revolution which lasted about 10 years, we paid little attention to the feelings of the masses over a protracted period. We failed to help the masses solve problems in their life that awaited immediate solution. All this shook the confidence of the masses in the party and the government and damped their enthusiasm in building socialism. Naturally, following the vigorous development of the reform and open policy, the people's material and cultural standards have been greatly raised. The people have confided more trust in the party and government organs at all levels. However, we must also realize that there are a great deal of things that we can do better, and that our work remains not so ideal. We still cannot say that the broad masses are completely satisfied with whatever we do.

The party Central Committee has stressed again and again that the general task of the whole party and the people throughout the country for the new period is to wholeheartedly carry out the program of the four modernizations. The purpose of the four modernizations is to achieve the prosperity of our country and the affluence and happiness of our people. Only when we attach great importance to the feelings of the masses, pay attention to solving the problems concerning the vital interests of the masses, and make ceaseless efforts to satisfy the needs of the people's material and cultural life can we make policy decisions on a scientific basis and in conformity with the desires and demands of the broad masses. Historical experience has repeatedly told us that if we set the state interests against the people's interests and long-term interests against immediate interests, if we ignore the interests of the people and the feelings of the masses, and if our revolutionary call covers up the mistake of our policy, the outcome will be that the masses are unhappy and production cannot be promoted.

#### **Leading Cadres Should Learn To Grasp the Feelings of the Masses**

Our reform is an undertaking of hundreds of millions of people. The feelings of the masses, or their mental state, determines the progress of the reform. For this reason, all leading cadres who are truly concerned about the reform should acquire the skills of grasping the feelings of the masses and study how to arouse their initiative to the maximum.

To acquire the skill of grasping the feelings of the masses, it is necessary to go in among them and conscientiously listen to their opinions and demands. If a leading cadre merely has a subjective wish to serve the people, thinks that he is wiser than the masses, and does not want to learn from and consult with the masses when a question arises, he cannot make a good plan and find a good way to solve the problem. If he has only a desire to go deep into reality but refrain from going deep among the masses to acquaint himself with the actual situation, more often than not he will make a policy decision contrary to the wishes and feelings of the masses. Historical experience has shown that in many instances if only a few people sit in their rooms to rack their brains, the problem cannot be solved at all. Only by going deep among the masses to solicit their suggestions will it be possible to get out of the predicament and work out a good solution. In the particular historical period when the old system is replaced by a new one, we are confronted with difficulties and problems. For example, the masses are quite dissatisfied with high commodity prices, the unfair distribution in society, and the negative and corrupt phenomena in party and government organs. What is to be done? The leaders should take some time out from their schedule and go deep among the masses. During the past few years, our municipality has used various methods to directly acquire the opinions of the masses and learn their feelings, such as communications through the information network, surveys in the form of questionnaire, and establishment of suggestion boxes, special telephone lines, and reporting centers. Based on the demands of the masses, the municipal party committee and government have done 20 special tasks each year for the real interests of the people in rural and urban areas, receiving praise from the masses. In this way, they have achieved rather successful results in stabilizing the feelings of the masses and in encouraging the people around the municipality to contribute their part to building a new Tianjin.

To get a handle on the feelings of the masses, we should carry forward socialist democracy, increase the degree of openness of our work, and readily accept criticisms and suggestions from the masses. Leading cadres should talk with the masses and exchange opinions with them in a candid manner. In this way, the masses will feel that leading cadres are trustworthy and reliable, so they will have ease of mind and can speak out straightforwardly. Of the various problems appearing at the time when the old system is replaced by a new one, some are unavoidable, others are caused by the shortcomings and mistakes of our work. It is inevitable that the masses cannot immediately adapt themselves to the new change or even have misunderstanding about some issues. What is to be done? It serves no purpose to evade the problem. The best way is to talk with the masses and dare to tell the masses unreservedly the shortcomings and mistakes of our work, the various difficulties we are facing, and the main experience and lessons we have summed up in the 10 years of reform. We should be frank with the masses and consult with them to find a way to overcome the

difficulties. At present, the masses bitterly hate the negative and corrupt phenomena among certain personnel of party and government organs. We should earnestly listen to the complaints of the masses about the problems. At the same time, we should find solutions to the problems, explain the situation to the masses, or properly guide the masses as the circumstances warrant. In no way should we take a perfunctory attitude. The history of our party shows that our strength comes from the masses, and the masses support us. It is not a bad thing to let the masses to speak the truth and criticize us. To do so is to show that we have self-confidence and we are capable.

We must be willing to share weal and woe with the masses if we want to guide their sentiments. "When Gou Jian [King of the State of Yue in the Spring and Autumn Period in China 770-476 B.C.] moved to the mountains, his countrymen were willing to make the ultimate sacrifice for him." "A leader must share weal and woe with the people before the people are willing to throw in their lot with the leader." When a leader possesses the spirit to share weal and woe with the masses, he will be able to maintain close ties with them and together they will go through thick and thin with one heart and one mind. However, some of our cadres have distanced themselves further and further from the masses. A few of them go in for ostentation and extravagance, with their houses becoming higher and higher in grade and their cars becoming more and more luxurious. They are nonchalant to the immediate interests of the masses. The masses are angry at them, refusing to speak to them or do their best for them. Naturally, there is no way for these cadres to grasp the sentiments of the masses. Our party has always maintained that leading cadres must take a constant interest in the people's well-being, be the first to bear hardships and the last to enjoy comforts, and go through thick and thin together with the masses. Only when the leading cadres understand the masses and take an interest in their well-being will the masses understand and support the leading cadres. Only when the leading cadres correctly grasp the sentiments of the masses can they fully arouse their initiatives.

Public sentiment is a direct reflection of reality. They are often not standardized, refined, systematic, or self-regulated. In some circumstances, they are expressed in a fierce and rough way which may make you uncomfortable. A leader must be good at observing public sentiments and learn something from them. Obviously, he must not rest content with reflecting public sentiments alone. He should try to guide them. However, the first step is to promptly and accurately observe and grasp public sentiments.

#### **Leading Cadres Should Attach Importance to Stabilizing Public Sentiment**

Stable public sentiment is a barometer and mirror of social stability. Our experience of reform in recent years has shown that if the masses lack understanding on

certain issues and if there are misunderstandings or grievances, they will not actively support reform or devote themselves to it. Moreover, in many circumstances, the lack of understanding and the existence of grievances may affect social stability. Therefore, to grasp and smooth out public sentiments is a major issue that cannot be ignored by leading organizations and their leaders at various levels.

To stabilize public sentiment, we must guide the masses to correctly understand the situation. The masses may feel strongly and unfavorably about certain negative phenomena appearing in the course of reform and opening. This is understandable. To change their negative feelings, we need to educate them in the current situation and guide them to view the situation objectively. To view the situation objectively means to stress achievements as well as difficulties and problems. Obviously, the two cannot be of equal weight. More weight should be given to achievements, which are more important than difficulties and problems. We need to make clear that the masses are benefactors as well as participants of reform and development in the last decade. Although our per capita income is still quite low and we are faced with different kinds of problems, reform of the last decade did bring tangible benefits to the 1 billion people in this large country. Thus, by making people observe both the macroeconomic and microeconomic achievements, we will be able to shift their attention from the difficulties and problems to what we have accomplished and enable them to have more faith in the future. While recognizing the achievements, we must not evade problems and difficulties. In a recent meeting with foreign guests, Comrade Deng Xiaoping frankly pointed out: We did not make major mistakes in the last decade. However, small shortcomings and problems of one kind or another have occurred from time to time. China is currently faced with the problem of inflation; commodity prices have risen too fast. This assessment of the situation conforms with reality and carries conviction. The precondition to guiding the masses is to believe in the masses. If we evade problems and difficulties because we fear that the masses "will not be able to stand them," we will end up making the masses more dissatisfied. Only by boosting their morale with what we have achieved and encouraging them to face the problems and difficulties squarely can we turn the great cause of reform into a self-conscious endeavor of the people in their hundreds of millions.

To maintain stable public sentiment, we need to successfully coordinate human relations. Harmonious and well-coordinated human relations are the foundation of social stability. Fundamentally speaking, there is no doubt that our reform conforms with the general interest of the masses and that the majority people have benefited from it. However, in the process of reform, relations between the interests of various quarters are undergoing constant readjustment and change. This will often affect, to a certain extent, the people's attitude toward reform. Therefore, we need to study human relations as they are

related to reform and try our best to achieve social justice. For example, while recognizing the need to have reasonable discrepancy in distribution and make reasonable adjustment to encourage some people to become well-off ahead of other people, we must make efforts to ensure that people who put in equal amount of physical or mental work will receive roughly the same amount of income. This will prevent income discrepancy from becoming too great and avoid creating new discontent among the people. For another example, when we publicize the improvement of the people's living standards, we must pay attention to our country's reality and the national strength. We must not create excessively high expectations. When we expose and criticize certain problematic behaviors, we must draw a clear distinction between the major and minor trends. In this way, we can avoid one-sidedness, take care of the general sentiments of the masses, and avoid bringing out unstable factors when we deal with various issues. In the final analysis, the ultimate goal of coordinating human relations is to satisfy more people, make more people happy, enable more people to make full use of their wisdom and ability, and create a political environment characterized by democracy, harmony, stability, and unity. We can achieve this by improving our policy and conducting the kind of ideological-political work emphasizing sincerity and equality in treating people. To maintain stable public sentiments, we need to do more for the masses in a concrete way. A country declines in the midst of empty talk and prospers from solid work. Social instability is often rooted in the "lip-service-only" leadership style. It is very difficult to smooth out public sentiments without resolving the practical problems encountered by the masses and without improving their material and cultural life. Practice shows that the people will be happy if we perform concrete deeds and bring tangible benefits to them; they will sympathize and support us if we resolve the most difficult problems for them; they will pursue their goals in a pioneering spirit if we perform service that have long-term effect and give them greater hope; and they will understand the efforts made by the government and the difficulties encountered by the state and develop a good social mood of working hard, living plainly, and taking the general interest into consideration if we perform concrete deeds within the limit of our ability. We cannot go beyond our times and do things when the necessary conditions are not there; neither can we escape from our historical responsibility and refuse to do what we should do and what is within our ability. The masses are the most objective, reasonable people. In judging whether the leadership of a government or unit performs his duty, they will rely not only on how much the leadership has accomplished but also on how much efforts it has put in. The masses will understand even if some problems are not resolved for the time being, as long as the leadership has done its best. In short, only when we persist in performing concrete, beneficial deeds for the masses will they be able to concentrate on production and carry out their jobs without worry or fear; only when there are changes in

their personal interests will they understand the sincerity, determination, and ability of the party and government to perform concrete deeds for them and will they support us wholeheartedly.

**The Fundamental Orientation of Reform of the Economic Structure—the Establishment of a Planned Commodity Economy**  
*OW1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 21-26*

[Article by Fang Jue 2455 6030 of the Political Science Institute under the Chinese Academy of Social Sciences]

[Text] The "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure" adopted at the 3d plenum of the 12th CPC Central Committee in 1984 earnestly pointed out that the socialist economy of our country is a planned commodity economy based on public ownership. The report to the 13th party congress in 1987 pointed out that this thesis is the fundamental theoretical basis for reforming the economic structure in our country. In recent years, unstable and disorderly phenomena have occurred in construction and reform basically because of people's vag or partial understanding of the planned commodity economy—they only stress that a socialist economy is a commodity economy without mentioning the premise of "planned," or just equate the planned commodity economy with a market economy. The central working conference and the 3d plenum of the party's 13th Central Committee held in 1988 solemnly called for improving the economic environment, rectifying the economic order, and deepening the reforms in an all-round way. Only by concentrating our work on building a planned commodity economy step by step and according to the condition of our country will we be able to surmount the difficulties now facing us and keep to the fundamental orientation of long-term development and reform. Therefore, it is necessary to further discuss some basic questions about the building of a planned commodity economy.

**I. Conditions for Development and Selection of Corresponding Structure**

The economic structure a developing country adopts depends on its basic conditions for development and its political system. Ours is a developing socialist country, whose conditions for development have three conspicuous features:

1. Our country has a large population, and its natural resources are relatively inadequate. It has a serious problem of work efficiency and a sharp problem of equity. The problem of equity involves not only the distribution of income among individuals but a balanced development of industries, regions, and social groups' interests.

2. Our industrialization drive was started late and from a relatively low level. Both our comprehensive economic level and our potential for development do not allow us to be optimistic in these regards. Our country needs to build a basically complete system of national economy and to strive to gain more economic strength in the world. This is an extremely arduous task.

3. The economic expansion of developed and developing industrial countries and the pressure resulting from their competition have made relatively small the room for our development of an export-oriented economy, and the gap between our country and advanced countries has become broader. We need to participate in an international division of work and international exchange. However, because of a shortage of natural resources and a low industrial level, our country has fewer favorable conditions in these respects, which make it rather difficult for our economy to compete in the world.

Because of our facing such conditions for development, we cannot always avoid two basic macroeconomic questions:

1. We should make a rational distribution of our limited natural resources in order to bring about relatively coordinated development of the economy and society.
2. Considering the interests of the country, nation, and society as a whole, we should give priority to fields and projects where development is urgently needed.

To solve these two questions, we need a unified social authority [tong yi di she hui quan wei 4827 0001 4104 4357 2585 2938 1218] to play a relatively conscientious leading role in ensuring coordinated development and deciding on priorities.

In the first 30 years after the founding of the People's Republic, our economic development was based on a highly centralized planned economic system. The advantages and disadvantages of this system can been seen quite clearly now. In general, the following three conclusions can be drawn:

1. The original system was a model adopted to speed up industrialization against a general background of extremely backward productive forces and of social revolution. Later on, it was seriously distorted by the "leftist" mistakes over a long period of time. However, the system is not the only model of planned economy.
2. The original system does not serve the needs of socialist modernization, and therefore must be reformed.
3. China's basic development conditions have not changed, and the two major macroeconomic problems facing the country have not been solved. Therefore it is still necessary to establish a new planned economy within certain bounds.

We have worked to reform the old system in the past 10 years. However, a fundamental problem remains: Can we establish a single market economic system as the final goal of reform, as some comrades have argued about?

1. Under the development conditions in China, if we focus on establishing a single market economy, the results will predictably be a short-term balance of the market in some industries and inevitably a long-term macroeconomic imbalance. A short-term balance in the markets of some agricultural products and general industrial consumer products might be achieved. However, in areas such as infrastructure, energy industry, basic raw material industry, heavy chemical industry, and high-technology industry, because of their high initial investments, low short-term return, and small flexibility in supply and demand, not only is a balanced market difficult to establish, it is even possible that they will be seriously hampered from being developed, resulting in derailment of macroeconomic development and an overall low level of development. A long-term imbalance of macroeconomic development will keep on pounding at the short-term balance of the markets of some industries, making the balance impossible to sustain.

2. Development conditions and the levels of development in different regions in China differ greatly. Therefore, if we focus on establishing a single market economy, a polarized situation will emerge in which a regional market system will take shape in relatively developed regions, while relatively underdeveloped regions will suffer from the development imbalance. The regional market system will be based mainly on general industrial consumer products and not be a complete market system. Because of lack of investment, backward production technology, and shortages of supplies, underdeveloped regions, which produce primary products, will be unable to establish their own market system. As long as their internal situations are concerned, development in both poles will be abnormal and incomplete. This polarized situation, in addition to the aforementioned structural imbalance of industrial development, will further derail macroeconomic development and lower the overall level of development.

3. Some comrades believe that the disadvantages of a single market economy can be eliminated if the state tightens its macroeconomic management. This can only be wishful thinking. The internal tendency of a market economy is balance, not priority; readjustment after the fact, not previous planning; conflicts between numerous individual interests, not favoring the interests of the whole. The state's macroeconomic management of a single market economy is just a minor adjustment to market movement in the entire society, is unable to change the nature of market economy, and therefore is unable to ensure balanced development of social economy and to decide the order of priority in accordance with the interests of the whole.

The biggest drawback of various theories of the fully market-oriented socialist economy advocated by China and other countries in the past decades is that they rarely take into consideration both the marketing problems of a socialist society and the development issues of an underdeveloped society. The contemporary economic histories of China and other countries all indicate that a large country's typical development problems can never be solved solely by way of the activity of a market economy. That cannot be more true for developing socialist countries. The acute shortage of resources, the urgency for development, and the necessity to give priority to the development of certain industries in effect make it impossible for contemporary China to establish a unitary system of market economy. If we ignore that fact and continue in that direction, we are bound to be harassed by an ever-fluctuating partial equilibrium of the market and suffer long-term macroeconomic imbalance and inadequate overall development.

That we cannot have a unitary system of market economy does not forbid practicing market economy in certain areas. It is comparable to restructuring the old planned economic system: We do not necessarily have to eradicate the system from all aspects of our economy. The way to meet those dual requirements is to establish a planned commodity economic system.

## II. The Structure and Operation of a Planned Commodity Economy

A commodity economic system is broader than a market economic system in scope. In a commodity economic system, products are exchanged in accordance with the average social consumption of their individual production factors. A market economy is a concentrated form of a commodity economy. In a market economic system, the economic operators are highly decentralized and independent and the composition of production factors and distribution of profits are determined by the competitive activity of supply and demand. A planned commodity economic system includes both a commodity economy with a planned character and a market economy that is not directly restrained by central planning but is under macroeconomic management.

In the part of a commodity economy with a planned character, the state is the master who decides the use of resources. The commodity economy with a planned character mainly consists of key infrastructural facilities, major energies and raw materials, several major industrial installations, and a number of important high-technological products. In those fields, the law of market spontaneous activity cannot be applied in either the use of investment capital, the amassing of technology factors, or the distribution of products. Nor can the development of industries in those fields be determined solely by market mechanism. Instead, their development has to be conducted in line with the macroeconomic interests and general balancing of the national economy and under the state's unified planning and regulation, in

order to maintain the primary strength and staying power of their overall development. Under the conditions in China, those fields have to transcend the limitations of the market activity in order to grow and advance. Undoubtedly, in the part of a commodity economy with a planned character, we should not try to retain or restore the outdated and highly centralized system of product economy; instead, we should establish a new planning system emphasizing the relations between commodities and money. The commodity economy with a new planning system functions under the following two principles: First, it uses simulated market regulating methods, especially a "shadow price," to determine an equilibrium price, and strictly adheres to the principle that investment is a loan in an economic sense. Second, under both the state's planning and simulated market regulation, enterprises still have relative independence. Enterprises, in particular, have to have strict economic accounting and very market-oriented personnel systems, while extensive economic contracts should be established between enterprises and the state as well as among enterprises. Such a commodity economy requires that products are exchanged in accordance with the average social consumption of their individual production factors; and, in that sense, a commodity economy with a planned character is a kind of commodity economy that functions under the state's planning and is not a spontaneous commodity activity. The purpose of a commodity economic system with a planned character is to ensure the necessary development of those fields whose products are badly needed, and, at the same time, to try to achieve high economic effectiveness in some fields.

In a market economy, resources are distributed by market mechanisms and prices are determined by a competitive campaign of supply and demand. The market economy mainly covers: some agricultural products, general manufactured consumer goods, some processed industrial goods, and most commercial and service trades. The state must help build a fair and unified market operation system. In order to keep the areas of shortage in the commodity economy with a planning character properly develop and lead the market economy to an appropriate range and toward a right direction in keeping with China's conditions for development, the state will, when necessary, use certain economic measures to regulate some resources of the market economy. This kind of regulation will give special emphasis to the structure of relevant industries, technological standards, and the level and growth rate of economic returns. Actually the regulation is a form of indirect control exercised by the planned economic system over the market economy.

It should be noted that the market economy exercised under our country's planned commodity economy is an unbalanced market system, meaning that more often than not total supply does not equal (usually falling short of) total demand, prices are unable to fully readjust the

supply and demand relations, and that it is a flawed market system. The reasons are:

1. Under the conditions that resources are generally in shortage, it is difficult to form an extensive buyers market or to achieve through competition a supply-demand balance or balance in prices.
2. Due to the fact that the industrial and geographical differences in China are quite large (because of very unbalanced development) and that China is a vast country and has no well-developed traffic facilities and channels for circulating information, in China's economy, the degree of openness and predictability of the market is small, difficulty for uniting the market is great, and technical problems of regulating the market are excessive. Therefore, the flexibility of the market functions are relatively limited.
3. The non-market-economy nature of the commodity economy with a planning character has reduced the completeness of the market economy. The indirect control exercised by the planned economic system over the market economy has prevented the market system from operating in a totally market-oriented way.

Therefore, we cannot envision our country's market economy with a balanced market system in mind, as some comrades did, but rather we should take into account its unbalanced character. The planning and execution of the market operation system and macroeconomic control measures should be based on the unbalanced points of the market.

A basic characteristic of the operation of the planned commodity economy is that quantitative regulation widely exists and plays an important role. Quantitative regulation, in contrast with price regulation (including profit, tax, and exchange rates, which can be considered respectively the prices of capital, public products, and foreign exchange), means that when price regulation in its broad sense fails to play its role, rationing by quantity will be put into effect to distribute limited supplies (or demands) to the various people who need them (or suppliers) according to certain procedures, so as to realize a proper selective economic balance and ensure a stable and orderly development (or growth). The quantitative regulation can be in the form of money (financial expenditures, the volume of credit, the structure of tax revenue, and so forth), goods (such as rationed supplies for scarce raw materials), or a combination of both (such as investment loans being linked up with important equipment under some circumstances).

In our country's planned commodity economy, there are two ways of effecting quantitative regulation: plan production with major consideration given to product shortage, and organize directional supply in a way that simulates the market-oriented way. In the field of macroeconomy, arrangements of resources and the determining of the structure and rate of the whole economic

development should be made, by and large, with due consideration given to product shortage. Of course, in so doing, an overall balance must be maintained to prevent the recurrence of carrying out battle tactics on only one single point, such as our former practice of "taking steel as the only key link in industry." In micro-economic matters, we must base our decision of the priority of obtaining resources which are in short supply on the overall interests and the principle of openness and fairness. We may arrange supplies in a market-simulated way to ensure supply rationing is economically reasonable and efficient. For example, distributed materials should be sold at balanced prices which are close to the "shadow prices," and supply contracts must be legally binding. And by giving loans, banks have control over enterprises' stock volume. This way those who enjoy higher priority than others in distribution will not get the kind of materials that are cheap and can be wasted wantonly.

In the non-balanced market economy, those pursuing economic activities have to give consideration not only to price signals but also quantity signals. For instance, readjustment of the tax revenue structure will affect the course of industrial development of the market economy, or, the rationing of some badly needed raw materials for manufactured consumer goods will affect the supply of these goods. Although either the government or the market can be (or both simultaneously) the major quantitative regulator in the non-balanced market system, the government will probably play the principal role in quantitative regulation for a long time to come. Effective market organizations (organizations of trades, federation of production or trade, market arbitration organs, and so forth) will be able to play their part only after a long growing period.

Of course, the quantitative regulation of the commodity economy with a planning character is not altogether the same as that of the market economy. The former uses the means of direct planning, which is more forceful than the indirect regulation through a planning system adopted by the latter.

Many comrades hold that the optimal goal for our economic structural reform program is generalized price regulation by the government. This view constitutes an idealized approach to our country's conditions for development, which are characterized by a general shortage of everything. For the non-balanced market system or any form of the planned economy (naturally including the planned commodity economy), a certain degree of quantitative regulation is inevitable. A generalized price regulation must be operated often in combination with quantitative regulation to be able to play an effective regulatory role. For instance, to confine the investment scale within an appropriate range, we must readjust not only the interest rates of loans (the price of capital) but also financial expenditures and the volume of credit (the amount of capital). In our country's planned commodity economy, generalized price regulation and quantitative

regulation must work together to form a complete and effective governmental regulatory system.

To sum up the above analysis: the planned commodity economic system will be jointly formed by the commodity economic system with a planning character and the non-balanced market economic system. Under this system, both the government-directed and the market-oriented ways of distribution of resources are indispensable. The commodity economy with a planning character must plan production with major consideration given to product shortage and take a market-simulated form. The macro control over the market economy will be reflected mainly in generalized price regulation, quantitative regulation, and the formation of a fair and unified market operation system.

### III. The Current Problems and Long-Term Model of the New System

In establishing a planned commodity economy, currently there are three major problems that need to be correctly understood and solved: What principles should be followed in defining the authority of the central and local governments? What position will enterprises be in? How responsive and effective will price regulation (including price reform) be? Because a planned commodity economy is a dualist system, i.e., a coexistence of a commodity economy with planning characteristics and a market economy under macroscopic management, examining the above-mentioned three problems should proceed from the dualism of the system, and should not simply use a unified commodity economy as the background for analyzing, and, in particular, should not unilaterally use a single market economy as the background for analyzing.

In reforming the highly centralized planned economic system in the past 10 years, we have adopted a rather convenient and effective approach, i.e., we have delegated power from the original channel of administrative command, giving some of the central authorities' economic management power to local authorities, or simply broadening the local authorities' original economic management powers. This way of power delegation some time is also used by local authorities at various levels. The foundation of this type of administrative power delegation is the various forms of financial contracts undertaken by local authorities. The supporting force for it is alarmingly huge nonbudgetary funds, which usually grow very rapidly, and the center is the special policies (preferential policies) given by the central government to some localities.

Administrative power delegation has made certain contributions to arousing the localities' enthusiasm and speeding up local economic development. However, from the viewpoints of natural conditions, historical background, and the needs of socialized mass production, a locality is usually unable to achieve a development balance by itself, and spontaneous activities of

various localities also will not automatically result in a macroeconomic balance. Administrative power delegation is bound to decentralize planning of construction; result in factionalism in pursuing particular interests; and prompt localities to blindly launch construction projects, invest in projects that already exist, seek short-term interests and instant results, and strive to establish their own systems. The limitation of this way of delegating power has become increasingly clear.

Administrative power delegation is a transitional form of reform in the period of transforming the old system into the new one. We need to develop the reform to a new stage and improve it, i.e., establishing a unified planned commodity economic system. In this new system, the following three principles are the least we need to follow in defining the authority of the central and local governments:

1. In the aspect of commodity economy with planning characteristics, the central and local authorities are a unified body to control planning. The central authorities are able to better see the interests of the whole, and are in a better position to establish an effective means of control. They should not simply delegate to local governments full powers to decide local economic development, because this does not conform to the inherited macroeconomic balance requirements of a planned system.

2. In the aspect of market economy, the central and local authorities are a unified macroeconomic management body. Efforts should be put on establishing a fair and unified market operation system. Establishing a regional market system should not be encouraged, and established systems should not be tacitly recognized, because they are bound to arouse competitions on unequal footing, and result in confusion in the economic order.

3. It is necessary for the central and local governments and local authorities at various levels to have powers of varying degrees. However, delegating powers to authorities at various levels should not turn them into entities of power that enjoy complete and independent interests.

Enterprises in the commodity economy with planning characteristics are entities with relative decision-making powers, which are subject to the restrictions of the state's planning and simulated market regulation. These relative decision-making powers are mainly demonstrated in the following two aspects: First, prices of products are not to be unilaterally decided by enterprises. Instead, they should mainly be decided by the state according to the consumption of production resources and the needs of maintaining a macroeconomic balance. Second, investing, especially investing in large and medium-sized projects, is not to be decided primarily by enterprises. It is to be decided by the state according to the needs of achieving a rational industrial structure and overall balance in the national economic development.

Enterprises in a market economy are economic establishments that make decisions for themselves under the regulation of market mechanisms subject to macroeconomic control. However, macroeconomic control in our country is stronger in intensity and larger in scope than that in a country with a unitary market economy. The quantitative regulation of the unbalanced market system by our government is even stronger in intensity and larger in scope than that in a country with a unitary market economy. This results in limiting enterprises' leeway to a certain extent.

Some people hold the view that all enterprises should become commodity producers with full authority for management and full responsibility for their own profits and losses, and they advocate that all enterprises should temper themselves in the vast sea of the market economy. But they ignore the fact that all enterprises in our country are more or less subjected to macroeconomic control. This is not conducive to properly defining and differentiating the economic positions and behavioral characteristics of different enterprises under the system of planned commodity economy.

Under the system of planned commodity economy, price regulation is not very sensitive and effective. In a commodity economy with a planning character, prices will be equilibrium prices of a simulated market. Simulation only means appearing to be close to something, and not necessarily reflecting equilibrium. Moreover, equilibrium prices sometimes need to be adjusted according to overall macroeconomic balance. In a market economy, price signs are distorted to a certain degree because of a lack of equilibrium, and the need for quantitative regulation makes it impossible for prices to become the only regulator for the functioning of the market system. Properly appraising the effect of price regulation will help us refrain from regarding the price lever as a panacea for all diseases.

Both the present price relations and the mechanism of price formation need to be reformed radically. This is also one of the keys to reforming the economic structure as a whole. In carrying out the price reform, however, attention should be paid to avoiding two erroneous tendencies:

1. We should not simply handle the price reform according to the view of prices in an equilibrium market as some comrades do. We should pay attention to solving the problem of price formation under market conditions lacking equilibrium. We should study how to set equilibrium prices on the basis of conditions in a simulated market in the commodity economy of a planning character. These are two important, difficult questions of widespread significance for us to study.

2. A considerable number of comrades fail to pay sufficient attention to structural obstacles to price reform. The price system is irrational, particularly because the prices of basic products in short supply are set too low

and the price-setting mechanisms are too rigid. The production of goods in short supply have long remained stagnant, and flexibility in the supply of and demand for such goods is rather small. Supply and demand cannot fully respond to each other with an upward adjustment of prices. Under the unbalanced structure of production and a shortage of supplies, changing the prices of such basic products or the price-setting mechanism too fast or too much will lead to a sharp increase in the costs of processed products. Then, prices will go up with the increase in the costs of processed products, and the price reform will be forced to end in "unreasonably big price gaps"—meaning the return of even more highly unreasonable price relations. Therefore, the price reform cannot be carried too fast and in isolation. We should implement the price reform in a coordinated and orderly way and in a long period of time while readjusting the structure of production, reforming the investment system, reducing total demand, and curbing inflation and arbitrary price hikes.

It is an important prerequisite for the establishment of effective macroeconomic control that authority should be reasonably divided between the central and local governments; the central aspect in the establishment of sound macroeconomic control is to properly determine the extent to which enterprises can make their own decisions; and the key link in rebuilding mechanisms for economic functioning is to correctly use the means of price regulation. In a sense, these three problems now facing us are also long-term ones in the system of planned commodity economy. When the three problems are properly solved, it will provide a sound foundation for solving many other problems and greatly promote the formation and improvement of a new economic structure.

From a viewpoint of long-term development, when industrialization and the socialization of production reach a fairly high level, the planned commodity economy needs to adopt the functioning pattern of "the central government regulates and controls, and enterprises make their own decisions"—that is, on the one hand, there should be scientific, centralized, and effective regulation and control by the central government, local governments are not independent regulators but branches of the planning system and macroeconomic control, local budgets should be used mainly for building local infrastructure and public utilities and providing social service, not for investing in production projects; on the other hand, we should make it possible for enterprises to carry out independent activities in a situation where central regulation and control and market mechanisms (or simulated market regulation) play their roles in various ways and at various levels, and we should reduce the instability and weaknesses of individual enterprises by cultivating enterprise groups and market organizations. The pattern of "the central government regulates and controls, and enterprises make their own decisions" may be able to help better resolve the contradiction between a macroeconomic balance and microeconomic benefits and between national and local interests, and rationalize the structure of production and regional development.

We have carried out reforms for 10 years. Now we should conscientiously sum up our experiences. One basic experience is that we must persist in following the fundamental orientation of reform of the economic structure—to build a planned commodity economy.

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### **Special Contradictions, Fundamental Choices Facing Economic Reform**

*OW1703051389 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 4, 16 Feb pp 27-31*

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[Text] Economic reform is a very arduous, great cause. It is especially arduous to carry out this great cause in a socialist country with a population of 1 billion and very uneven development of productive forces. Reviewing the 10 years of reform experience and soberly analyzing the contradictions and difficulties before us will, no doubt, point out the path we should take in the next round of reform.

#### **I. Special Contradictions Confronting Reform**

Since the very beginning of the reform, we have been confronted with a very peculiar double-task: to deal with the question of economic development centering on the change of production structure and the question of economic reform focusing on switching from the old system to the new system. As for the process of reform, the first round of reform was characterized by an endeavor to grant power to lower levels and allow them to retain a bigger share of profits at their own disposal. In view of the fact that the positive effect of this endeavor was declining progressively and its negative effect was escalating, the second round of reform was characterized by the continuous reshaping and improvement of the pattern of macroeconomic regulation and control. The purpose is to choose a better pattern of macroeconomic regulation and control so as to eliminate the increasingly serious negative effect produced by granting power to lower levels and allowing them to retain a bigger share of profits. The result of this are far from ideal, however.

Perhaps, the two key causes for the numerous troubles we presently face in our economic life are the intricacy of development and reform questions and the diminishing positive effect and escalating negative effect of granting power to lower levels and allowing them to retain a bigger share of profits. It is necessary to analyze this in greater depth by direct observation.

#### **(1) Special Contradictions Caused by Granting Power and Allowing Greater Profit Retention in the Absence of Clearly Defined Property Rights**

Reform of the economic structure is aimed at introducing and developing a market mechanism so as to flexibly

and effectively use resources. Then, what is to be done to introduce and develop the market mechanism? On this question, there is an oversimplified understanding. According to this understanding, all is needed is to grant power to lower levels, allow them to retain a bigger share of profits, and continue to relax the control over prices until there is no control at all. Certainly at the inceptive stage of granting power to lower levels and allowing them to retain a bigger share of profits, the initiative of various localities, departments, and enterprises was stirred up to an unprecedented extent. This manifested by the fact at the initial stage of reform, all localities had a special period when they achieved quicker economic growth, scored better economic returns, and made a conspicuous improvement in the living standards of their people. This progress not only enhanced people's confidence in the reform, but also made them entertain large psychological expectations for results of the reform. Later when the endeavor to grant power to lower levels and allow them to retain a bigger share of profits reached a certain stage, its positive effect showed a fast decline while its negative effect quickly expanded. This can be seen from the fact that no self-balance mechanism has been formed within enterprises as people expected. Instead there has appeared a strong and effective mechanism for maximizing the income of staff workers. The actions of various localities and departments have also become increasingly self-oriented and short-sighted. This has led to an imbalance between total supply and total demand, the imbalance of the economic structure, serious inflation, the shortage of foreign exchange, and the remarkable shrinkage of the room for the reform to maneuver. Confronted with this special and difficult situation, many theoreticians and practical workers have been deeply bogged down in perplexity. They even think that this is an inevitable result of overemphasizing the role of regulation by the market.

However, if the matter is viewed in a broader perspective, it is not hard to see that the mindset of establishing a market mechanism by granting power to lower levels and allowing them to retain a bigger share of profits and by decontrolling the prices and the thinking of attributing the current difficulties to the overemphasis placed on regulation through market are based on the same logic. That is, they both simply take the market mechanism as a price mechanism and view the price mechanism as a superficial question of commodity prices. They have overlooked the in-depth question of the formation of mechanism for prices of essential elements, especially the prices of asset stocks.

It should be unequivocally pointed out that commodity prices are based on the prices of essential elements and the most important prices of essential elements are the prices of asset stocks. In the absence of a quickly responsive asset stock market, there will be no free flow of asset stocks. In that case, the adjustment or decontrol of commodity prices will not cause asset stocks to flow quickly from where supply is abundant to where supply is short. In other words, supplies will remain as they

are—either abundant or short—and it will be impossible to achieve a reasonable distribution of resources and the stabilization of overall price levels. Here, a prerequisite for the flow of asset stocks through the market is the clearly defined property rights of these stocks. The market for asset stocks is a market for the transactions or transfers of property rights (whole or partial property rights) of enterprises. As seen, if the property rights of enterprises are not clearly defined and if a new mechanism for determining the prices of asset stocks is not established, it will be hard to set up a truly effective mechanism for determining the prices of commodities.

With a review of the last round of economic reform based on the aforementioned analysis, we can figure out the crux of the problems we are facing now.

In the last round of economic reform, we did not focus on restructuring traditional enterprises with the modern system of property right. Instead, we started from the opposite direction of traditional enterprises, seeking to make enterprises independent legal bodies by relinquishing more power to them and allowing them to retain bigger shares of profits. However, the policy of relinquishing more power to enterprises and allowing them to retain a bigger shares of the profits, in effect, makes enterprise managers take on three simultaneous roles—representative for the owner, the interests of the legal body (enterprise), and the interests of workers. These roles are contradict one another. In a clash of roles, the logical choice is to tilt toward the end that is closely related to one's own interests; i.e., to first consider how to satisfy the demands of workers (including oneself). This was reflected in recent years by enterprises that spent about 80 percent of their retained profits on bonuses and prerequisites, which in turn unwittingly sped up the growth of gross payroll (excluding distribution in kind) and inflated the discretionary income of individuals. More to the point, the kind of distribution that allowed "wages to encroach upon profits" pushed banks into a dilemma. On the one hand, personal savings balances increased at an abnormal pace—more than 35 percent annually in the past 10 years; on the other hand, enterprises relied more and more on banks and, in recent years, more than 85 percent of their fixed operating funds came from bank loans that accounted for 75 percent of the total amount of bank loans. As a result, personal savings deposits that accounted for nearly 40 percent of total savings deposits became very vital to maintain our banking system operation. Consequently, banks had to keep a large amount of money to attract and stabilize personal savings deposits. At the same time, as enterprises' self-accumulating ability weakened or even shrank, the bank that issued notes was increasingly forced to issue more currency to be used for loans to enterprises' operating funds. This would sustain simple reproduction in enterprises.

The lack of a built-in mechanism for achieving a balance between accumulation and consumption has not only

put banks in a predicament, but also forces the government to directly involve itself in solving the contradiction between accumulation and consumption and to interfere with the wage scale and commodity prices. All of this overloaded overall management organs. They feel difficulties in getting out of the various complex and contradictory situations. When the government has tried one thousand and one ways to stabilize commodity prices, the people believe that these are necessary actions taken by the government. However, when the government puts a ceiling on the wage scale in order to stabilize commodity prices, they feel upset. This has become an extremely difficult issue concerning China's macroeconomic management.

## (2) Special Contradictions in Mingling Development With Reform

Reform of the economic structure and the improvement of industrial set-ups promote one another and rely on each other. On the one hand, substantive improvement of the industrial set-ups is determined by substantive progress in reforming the economic structure; on the other hand, the substantive improvement of the industrial set-ups will provide economic reform with financial support and more varieties of commodities. However, structural reform and the improvement of industrial set-ups are not harmonious at all times. Under certain conditions, they contradict and conflict with each other.

Generally speaking, if enterprises have already become independent commodity producers and management has a built-in mechanism for accumulation and development and if the market mechanism has already been established—particularly essential factors for production—management will consciously make their investment decisions according to the profit margin as well as become the main forces in improving industrial set-ups. The government's major task in implementing its industrial policies is to help enterprises that have made long-term high-risk investments expecting to draw steady expected revenues, while giving them appropriate preferential treatment as a means of encouragement. The government must help raise funds in society to develop key industries, public works and the infrastructure. The government must also turn its industrial policies into a strong pillar for coordinating macroeconomy with microeconomy. In this situation, macroeconomic units may help improve industrial set-ups, while industries may help microeconomic units invigorate themselves. Thus, the government and enterprises are prevented from acting blindly.

However, the hard fact is that we have not achieved the aforementioned goal during the previous round of reforms. At the same time, it is not likely we can accomplish this task over a protracted period. The simultaneous implementation of the two systems—the "double-track pricing system"—is a reality we may have to face in the immediate and near future. This system is prominently featured by a dual price system, which now

prevails among the various enterprises in handling their business transactions. This is determined by existing special relations between enterprises and the state. The raw materials in short supply that the enterprises get at state-fixed prices are actually a form of subsidy when enterprises remain an appendage of the state. The products, which the enterprises sell at the state-fixed price, are actually their tribute to the state when they are still an appendage of the state. At the same time, the extensive development of open and half open markets for those means of production in great demand and produced beyond the state plans is no doubt aimed at forcing a way out for the effective use of badly needed materials. This is aimed at developing market mechanisms for the best economic returns.

With the implementation of the double-track system, the conflict between the promotion of industrial policies and structural reform is quite obvious. Such conflict is also extremely sharp. We can summarize this conflict as follows: First, at a time when the property right of an enterprise is unclear, the functions of the government and the enterprises are not separated, the market mechanism remains imperfect, and the government's efficiency is still low in using economic means to control its economy, reform measures that delegate more decision-making power to the enterprises and allow them keep more profits for their own use may seriously hamper the implementation of industrial policies. Just as we analyzed before, such measures may encourage enterprises to pay more wages to workers and upset their overall balance. At the same time, administrative measures are often used to promote industrial policies, thus increasing administrative interference and undermining the reform program. Second, we must rely on central authorities' enthusiasm as well as the flexibility and creativeness of local authorities to promote the industrial policies. However, when there is a conflict of interest, the central authorities may disagree with the local governments in promoting the industrial policies or vice versa. This will harm both the industrial policies and the structural reform. Third, to promote the industrial policies we must help industries further centralize themselves and achieve a certain degree of centralization and monopoly in order to have unity and bring into full play the role of industries as an entire group. However, in reforming the economic structure, we must encourage competition, while opposing monopoly. How to tackle this difficult issue gives us much food for thought. Perhaps we can use the experiences of Japan and South Korea as our reference points.

At present, the one thing that is most destructive to economic restructuring and to the optimization of the industrial structure is the corruption exemplified by "bureaucratic profiteering." It has seriously damaged the party and government's reputation, disrupted the economic order, and harmed social justice. Apparently, the double-track system for business transactions is the breeding ground for "bureaucratic profiteering." Therefore, removing the double-track system as quickly as

possible and making enterprises operate under the market mechanism and subject to the restrictions of the modern proprietorship system are crucial for eliminating "bureaucratic profiteering." At the same time, we must be soberly aware that the abuse of powers for personal gain could and does exist in any economic system. The fundamental cause of corruption is that the traditional political structure, which lacks an effective supervision and check-and-balance mechanism, is unable to adjust to the assault of the commodity economy. If we do not make this point clearly but rather thoughtlessly attribute the cause of corruption to the double-track system, after getting rid of the double-track system, we will again face serious corruption in taxation, industrial and commercial administration, auditing, administrative, and judicial departments.

## II. A Fundamental Choice in Deepening Reform

The above analysis shows that we have come to as far as we could possibly come in following past patterns of socialist reform and theory. In the face of assorted difficulties, the short-term central tasks for the administration of the national economy are, without a doubt, implementing an appropriate retrenchment policy, rescinding some of the powers that have run out of control, and improving and rectifying the economic environment. Most of the measures we took for short-term national economic administration are expedient and transitional in nature. If we want to remove, once and for all, the assorted difficulties and rapidly increase effective supply, we must dare to break free from the existing patterns of socialist reform and theory and take some substantial steps in making a wider variety of assets available for the vast number of residents to choose from, clearly defining the property right of enterprises and peasants, and perfecting a dual economic structure.

### (1) Making a Wider Variety of Assets Available for Greater Numbers of Consumers To Choose From

In the course of implementing a retrenchment policy and reducing total demand, demands for scarce commodities will subside due to a drop in credits and financial expenditures. Income from exports, overseas remittances, tourist revenues, and foreign capital will, in essence, not increase demands but supply (under the precondition that the foreign exchange is used effectively). Insofar as the 380 billion yuan deposits and 170 billion yuan cash held by the urban and rural residents are concerned, the retrenchment policy is, however, of not much use. This huge surplus purchasing power (equivalent to 2.5 times the 1987 total state revenues) is like "tigers" in a cage. Once there is a change in the people's expectation for the economy during the period of economic retrenchment (changes are liable during such a period), these "tigers" will get out of the cage and become real purchasing power, which will cause great social upheavals.

In addition to the too rapid rise in wages, one more fundamental reason for residents to have accumulated so much surplus purchasing power in just 10 years is that, while their income has been on the rise, we have not made any effort to make more a wider variety of assets available for them to invest in and the residents could only spend their money on food, clothing, and other consumer items. They could not use their money to improve their housing conditions (expenditure on housing accounts for about 15 percent of the total family income in Western nations), they could not, and dared not, invest their money. A real opportunity for putting into practice Marx's grand design for "establishing anew individual ownership"<sup>11</sup> and "making the workers real capitalists of their own joint enterprises"<sup>12</sup> has emerged but we dare not implement it.

As a matter of fact, the stage when per capita income is at U.S. \$300 is exactly the most difficult period for accumulating capital. It will be a historical mistake if we fail to turn excessive consumption funds into industrial capital during that stage. If, on the contrary, we commercialize housing and develop a real estate market, vigorously develop locally-run, joint, or private enterprises and actively but cautiously implement a shareholding system, we will not only be able to overcome capital shortages and excessive demands for goods in the market, but also break free from the dangerous cycle where banks have to depend on residents' deposits and enterprises on bank loans, thus removing the root cause of inflation.

### (2) Clearly Define Property Rights, Make Enterprises Independent Legal Entities

We have pointed out that the problems occurring in the process of reform and development are primarily rooted in the absence of clearly defined property rights for enterprises. As a result, enterprises are not bound by the pursuit of profits and are not inclined to carry out the function of accumulation. Therefore, changing the structure enterprises' property rights is an extremely important and pressing task of reform and development.

In this regard, different measures can be taken for different types of state enterprises.

For the numerous small state-owned enterprises and some of the medium-sized ones, the best way to resolve the question of property right is to change the ownership by auctioning off the enterprises. Any entity possessing the purchasing power (a natural or legal entity, an enterprise, or a foundation) can be the buyer in these transactions. To guide and absorb the surplus purchasing power of private citizens, preferential measures may be adopted to encourage them to individually or collectively purchase state-owned property.

For the few extra-large state enterprises, which are vital to the national economy and the people's livelihood, we should stress restructuring property right on the

strengthen of their management power in the immediate future. Measures may be taken to continue to improve the contract system and appropriately reform the internal management structure of the enterprises.

For the state enterprises that do not fall into the two categories mentioned above, the key to the settlement of the question of property right lies in defining ownership and making someone responsible. On the one hand, we can implement the nonstandardized contract system while reforming the standardized property right structure. We can introduce a stockholding system at the same time we are implementing the contract system, or after the system is implemented. The purpose is to bring about the transition from the contract system to the stockholding system while gradually improving the former. On the other hand, we can use the standardized property right structure to cultivate and transform second-generation enterprises founded on the contract basis—contracted enterprises and other new enterprises jointly established by legal bodies—and make them incorporated stockholding enterprises.

For the immediate future, it is essential to perfect the contract system. We can adopt various measures, such as establishing comprehensive performance evaluation standards, flexible contract periods, and allowing the original contractor to have priority over others in bidding after the contract expires, in order to resolve the question of pursuing short-term profits by contracting enterprises. We can establish various systems, such as an enterprise development foundation, enterprise supervisory board, impeachment of the contractor, and collateral risk-bearing, to rally the internal forces of the contracting enterprise and increase its ability for sustained growth. These measures are also conducive to the introduction of the stockholding system. We should make full use of them to bring about the transition from the contract system to the stockholding system.

### (3) Clearly Define the Right of the Peasants To Possess and Use Land

In recent years agricultural production, particularly the production of grain, cotton, and edible oil, has stagnated. Insufficient investment, higher production costs, and lower profits for agricultural products are causes to this stagnation when compared to other products. However, to an alarming extent, a more important factor is the lack of enthusiasm among peasants to invest in fixed assets that would improve soil fertility and build infrastructure. While the term of contract is said to last 15 years, it is actually adjusted once every 3 or 5 years. As a result, the peasants have little faith in their ties to the land. To safeguard the peasants' enthusiasm for long-term investment in the land and in keeping with the trend of increased modernization of crop cultivation, we must further reform the rural land system while implementing a system of contracted responsibility for production based on rural households and where remuneration is linked to output. This clearly involves defining the

peasants right to possess and use land and the ultimate state ownership of land. The state exercises its ultimate ownership when it levies partial rent on land, forbids peasant households to use agricultural land for nonagricultural purpose or sell it to others to be used for nonagricultural purpose without going through due process of the law, and forbids the sale of land to foreigners. The peasant households exercise their right to possession and use of land when they make production decisions, transfer the land, lease it to others, and bequeath it as inheritance. In the initial stage, we can consider letting peasants pay a certain amount of money in exchange for their right to possess and use land.

### (4) Gradually Establish and Perfect the Dual Economic Structure of "State Regulating Market and Market Guiding Enterprises"

"State regulates the market and the market guides the enterprises" has become the universally accepted target and model for economic structural reform. To genuinely establish such a model and to ensure coordination of the macro and micro economies, we must clearly set forth the following:

First, the basis for establishing this model is built upon the premise of an enterprise being an independent legal body which is solely responsible for its own profits and losses. If enterprises are not independent and not bound by a strong profit motive, then there will be no key market formation. It will then be difficult to form a socialist market system and then it will be hard to produce microeconomic units full of initiative and creativity since microeconomic units are the products of market competition. And an independent enterprise must face the problem of clear definition for enterprise property rights.

Second, the market is the medium which unites state regulation and enterprise behavior. The market is also the basis for indirect macrocontrol. Therefore, it is the application key to this model. When engaged in production and business decisionmaking, the restrictive forces for competitive-type enterprises should come only from the market. The government should not interfere with their operations directly. On the other hand, when macroregulation is carried out, the state can not go it alone without the market—be it on information, or in implementing economic control policies. Otherwise, it would be difficult to overcome the shortcomings of the policy and its attendant side effects.

Third, there should be a strict separation between the main body and target of control when the state is carrying out market regulation. The state, as the main body of regulation, uses a series of policies, laws, and regulations to influence the market. It also uses the market to bear upon the producers. If the state assumes the dual role of regulator and producer simultaneously, then it will not only be difficult to establish the status of

enterprise as a legal body, but it will also be difficult to ensure the authoritativeness and impartiality of market control.

Fourth, the market has shortcomings, the government has shortcomings also. We can not idealize market behavior and government behavior. The more vitality the microeconomy has, the stronger the role of the market will be. Hence the need for more overall behavior guidance and coordination for scattered producers. To reduce macrorisk, it is necessary to strengthen high-level and efficient government control, which is in line with the subjective law of market movement, so as to make up for the insufficiencies of market regulation. Government regulation should aim to perfect the market. By no means should government function be used as a substitute for market function. The government should act in the areas where the market is unable to act. For example, the government should use laws and administrative means to oppose or deter monopoly. By offering attractive investment opportunities, the government should pool idle social funds to invest in areas shunned by enterprises due to little investment returns, but also promise big social benefits.

These reform and development measures will not only coordinate well with short term management measures, but also provide enduring generating power for mid- and long-term development. If we vigorously carry out these substantive reforms, we will surely overcome the current difficulties and usher in the new phase for the coordinated development of macro and micro economies.

(The author is a member of the economic management department at Beijing University.)

#### Footnotes

1. Complete Works of Marx and Engels, Vol 23, p 832.
2. Complete Works of Marx and Engels, Vol 48, p 21.

**Use Dialectics To Comprehensively Grasp the Productive Forces Criterion**  
*OW 1703031389 Beijing QIUSHI (SEEKING TRUTH)*  
*In Chinese No 4, 16 Feb pp 32-35*

[Article by Gao Guang 7559 0342 of the Central Party School of the CPC Central Committee]

[Text] At present some people take a one-sided approach to the productive forces criterion and understand it only in terms of absolutes. In practice, they tend to use the criterion in an oversimplified, vulgar, and narrow-minded utilitarian way. The following are the major manifestations of this tendency. They regard the productive forces criterion simply as a criterion of output value or profits. They mix up the fundamental criterion with the criterion of specific work in various departments. They set the partial interest against the overall interest

and the immediate interest against the long-term interest, resulting in the spread of shortsighted economic behavior. And so on, and so forth. There is only one way to grasp historical materialism and its correct application to the productive forces criterion, namely, by relying on dialectics.

Here I will explain in particular several questions related to the use of dialectics to resolve the issue of the productive forces criteria.

#### I. The "Hardware" Criterion, "Software" Criterion, and Benefits Criterion

Productive forces constitute a complex system, which reflects the systematic and integral nature of the content of the productive forces criterion. We must establish a scientific yardstick for the productive forces criterion. Only by doing so can we accurately measure the object under scrutiny and avoid subjective arbitrariness. The productive forces criterion refers to the overall quality of the nature, level, and speed of the productive forces. This quality incorporates the criteria of "hardware," "software," and efficiency.

1. The "hardware" criterion. This refers to the extent to which the productive forces bring into play the substantive factors [shi ti xing yin su 1393 7555 0992 0936 4790]. The substantive factors can also be called loaded factors [zai he xing yin su 6528 5440 0992 0936 4790]. We call these factors the "hardware." They include three elements: 1) the subject element of the productive forces—the extent to which man plays his dynamic role and the quality of labor; 2) the extent to which the means of labor, primarily the instrument of production, functions—this is the objective yardstick used to measure the quality and level of the productive forces; and 3) the origin and structure of the object of labor.

2. The "software" criterion. This refers to the extent to which the productive forces bring into play the intellectual factors [zhi neng xing yin su 2535 5174 0992 0936 4790] (also called infiltration-type or condensation-type factor) and operational factors [yun chou xing yin su 6663 4693 0992 0936 4790]. These factors are the "software" of the productive forces. The intellectual factors include the level and speed of development of science and technology and modern education. The operational factors include the management level, particularly the extent to which scientific management is used.

3. The benefits criterion. This refers to the result of production obtained from the interaction of the "hardware" and "software" factors in the system of productive forces, and to the results of using the overall capacity of the productive forces. It includes the results from the arrangement of the structure of the productive forces (the structure of production, labor, and products), the use of the appropriate scale of the productive forces,

the arrangement of space, and the coordination of operational procedures. The benefit criterion has the following four measurable indicators:

- 1) The total volume of the productive forces. This reflects the extent of abundance of material products of a society and is expressed in terms of GNP and per capita output.
- 2) National income and per capital income. They reflect the living standards and conditions of the people of a country.
- 3) Speed. This refers to the speed of normal increase of economic results. It is an important yardstick to measure whether the relations of production are suitable to the state of productive forces.
- (4) Labor productivity. This refers to the efficiency with which material wealth is created by workers. It refers to the average labor expended in producing a product per unit of time. It is a comprehensive reflection of the interplay of overall productive forces.

The above three criteria concern the quality, level, growth, and efficiency of productive forces. They are the yardstick for judging the overall development and level of productive forces, no one of the factors or output values is to be used alone as a yardstick.

## II. The Productive Forces Criterion and the Specific Standards of Work in Various Departments

The social division of labor is a complex matter; it covers diverse sectors including economics, politics, culture, and so forth. Within each sector there are many trades and departments. They all have their own special standards, such as standards for ideological and political work, moral standards, personnel standards, standards for art and literature, and so on. We must correctly handle the relationship between the productive forces criterion and the standards of work in the various trades and departments.

1. The productive forces criterion is the fundamental criterion; it is the supreme criterion. Therefore, it restricts and influences the specific work standards in the various sectors and departments. The establishment and implementation of specific work standards in the various sectors and departments must be subordinate to and serve this supreme criterion. It is the starting point and goal of our all departments. The fruit of the work of all our departments should, in the final analysis, be reflected in the development of productive forces and the improvement in the people's material well-being.

2. Ultimately and in the final analysis, the productive forces criterion should be the fundamental standard and should be distinguished from the work standards in the

various sectors and departments. Therefore, the overwhelming majority of departments cannot use the productive forces criterion as a yardstick to directly evaluate their work because there are some intermediate links between them and the productive forces. If we used the productive forces criterion to judge the work of all departments, we would be simplifying matters. For example, we should judge a work of art by using artistic standards, we cannot directly apply the productive forces criterion to a work of art. In the final analysis, however, art also serves and contributes to the productive forces. Certainly, in many departments in the economic sector the productive forces criterion can be used more or less directly. Viewed from the historical viewpoint, because the principal contradictions and fundamental tasks of society differ from one historical period to another, the work of various departments and their relationship with productive forces also differ. During the years of the proletarian revolutionary war, the proletariat had to place political revolution before everything else, because only by overthrowing the exploiting class could we liberate the productive forces. For this reason, the work of all departments directly served the war. During the period of socialist construction, developing the productive forces was the direct, fundamental task and the work of all departments had to be centered around and serve this fundamental task. For this reason, the 13th CPC National Congress noted that "Under these historical circumstances, the growth of the productive forces is the immediate and decisive criterion." However, this does not mean that every sector and department should use the productive forces criterion as a yardstick to directly evaluate its work.

3. The relationship between the productive forces criterion and the specific criteria used by all sectors of the economy in assessing their work is one between a general matter and a particular one. As a general yardstick to assess values, the productive forces are considered a fundamental criterion by all sectors of the economy. Hence, its general nature. However, due to the division of labor in society, every sector of the economy has its own specific yardsticks and criteria for assessing its own work. Hence, its particular nature. Therefore, productive forces as a criterion cannot take the place of the specific criteria employed by the various sectors of the economy.

## III. Productive Forces As a Criterion and the Balance Between Man's Activities and Ecological Environment

To persist in using productive forces as a criterion, we must maintain balance and harmony between man's activities and the ecology. In other words, we must follow the law of ecological equilibrium. Violating this law will result in disrupting productive forces and bring punishment to mankind.

Productive forces constitute an open, not closed, system. They require an external environment to develop, namely, the natural economic and social environment.

Productive forces act on and react to the external environment while engaging in material energy exchange with Mother Nature. The operation of productive forces involves a give-and-take process by which man not only "takes" from Mother Nature and does some processing to it to create material wealth and acquire the means of material life, but also "gives back" to Mother Nature and the ecology by discharging three wastes—waste water, gas, and matter—to nature. This applies to consumption for production as well as to consumption for daily life. Hence the contradiction between "taking" and "discharging." "Taking" too much from Mother Nature disrupts the ecological equilibrium. Likewise, "discharging" too much into nature, making it impossible for Mother Nature to undergo self-purification, results in pollution of nature and upsets the ecological equilibrium. Mother Nature retaliates against man if the law of ecological equilibrium is violated. This disrupts productive forces and jeopardizes human lives and livelihood.

Statistics show that due to soil erosion China annually loses 5 billion metric tons of fertile soil and 10 million metric tons of the effective elements of nitrogen, phosphorous, and potassium. Due to indiscriminate reclamation, the five big lakes on the lower reaches of Changjiang, namely, Poyanghu, Dongtinghu, Taihu, Hongzehu, and Chaohu, known to the people as the five bright stars, have experienced a constant decrease in surface area; silt is gathering, the water is polluted, and shoals of fish are dying. In some cities, environmental pollution is so serious that the masses would elect anyone who can control environmental pollution as their mayor. To uphold productive forces as a criterion, we must also maintain harmony between man and his ecological environment, prevent environmental pollution, and promote the ecological equilibrium.

Environmental protection has currently become a global problem. R. Dubois said: "There is only one earth." Many scientists throughout the world have called for worldwide efforts to fight atmospheric pollution, which has caused grave consequences to the world's climate. Some scientists have said that we will be practically committing "absolute suicide" unless we take measures to clean the atmosphere, while some other scientists believe that the threat posed to mankind by years of ecological problems is no less than that posed by a nuclear war. Therefore, while striving to maintain high productive forces, we must bear in mind the ecological conditions of the world and be more aware of ecological consequences. A leader or an entrepreneur should pay attention not only attention to economic results, he or she should also pay attention to ecological results. Lack of understanding of global ecological conditions and ignoring ecological results cause maximum harm to economic results and social benefits. Therefore, we must not build factories blindly, causing pollution first and then taking remedial measures, we must not reclaim land by destroying forests, and must not pursue high growth without paying attention to environmental protection because such acts will turn out to be counterproductive.

Maintaining balance and harmony between human activities and the ecological environment is an important problem of totally understanding and applying the productive forces criterion. We must build a world in which man lives in harmony with nature. Marx called this: "A complete intrinsic unity between mankind and nature, a true revival of nature, the realized naturalism of man, and the realized humanitarianism of nature."<sup>1</sup>

#### IV. The Productive Forces Criterion and the Three Unities—Unity Between Local Benefits and Benefits to the Whole; Unity Between Short-Term Results and Long-term Results; and Unity Between Economic Results and Social Benefits

The productive forces criterion is a scientific criterion. It reflects the systematic, open, and integrated nature of the productive forces. Therefore, we must not use any single element of the productive forces as a criterion of the productive forces. Likewise, we must also not use any isolated case or temporary phenomenon as a criterion of the productive forces. We must adhere to the three unities.

(1) Unity between the part and the whole. This means assessing local benefits from the perspective of the whole, and integrating local benefits with benefits of the whole. We must guard against only considering the economic results of a single enterprise or locality while ignoring the interests of the whole. For example, some localities encourage people to run small gold mines, small coal mines, and the like, which exploit natural resources by using backward methods. They usually damage the mineral resources and riverbeds, causing soil erosion. From the viewpoint of the locality, such a way of doing things seems conducive to developing productive forces. However, this is not the case if the interests of the whole are considered. For another example, some enterprises drain huge amounts of polluted water into a lake. Of course, these enterprises save a lot of money by not installing polluted water treatment facilities. But, the polluted water causes serious economic losses to residents around the lake, and prevent aquatic life from developing. In addition, peasants living near the lake are unable to use the lake water for irrigation, and people suffered more often from various diseases after drinking lake water. For still another example, the so-called "wool war," "cotton war," "silkworm cocoon war," and "tobacco war" that have taken place recently are manifestations of what happens when we sacrifice the interests of the whole for the interests of a locality.

Some people have interpreted the productive forces criterion as a criterion of making money. This is a way of putting money above everything else. We do not deny that, in developing the socialist commodity economy, increasing production and product value results in making more money. That is why entrepreneurs want to increase output value and profits, presidents of universities want to increase revenues, and individual workers

want to make more money. We believe that some economic activities and technology transfers should be carried out to make money and profits. The total and per capita output value and the total revenue and per capita income of a unit are important elements of the productive forces criterion. However, they are not everything. If we interpret the productive forces criterion as a criterion of making money, and the criterion of making money as a criterion for judging one's ability, we will soon have the idea that making money is everything and the means of making money does not matter. Such an interpretation is bound to cause deviations in practice.

(2) Unity between the present and the future. This means unity between short-term benefits and long-term benefits. Currently, many people pay great attention to short-term benefits. This is a common problem on many fronts. Some measures may yield good short-term benefits, but not long-term results such measures do not enhance production capability. On the contrary, technological transformation, improving workers' quality, and investment in technology-intensive production are measures aimed to improve long-term results. Educational development is particularly an activity which concerns long-term results. Currently, some rural enterprises employ large numbers of child workers. In some counties, child workers account for 10 percent of all enterprise workers in the county, and in some enterprises child workers comprise as much as 20 percent of all workers of the enterprise. Of course, from the viewpoint of the enterprise, employing child workers enables it to make more profits, because child workers receive lower wages, are more submissive, and learn faster. However, this practice impairs the children's health and has severe consequences for their education.

(3) The unity of economic benefits and social benefits [she hui xiao yi 4357 2585 2400 4135]. The so-called social benefits refer to the benefits from certain social activities evaluated on the basis of the whole society. To obtain these benefits, there should be optimum overall arrangements for social activities. Social benefits are a term relative to economic benefits. Specifically speaking, social benefits are the contributions of a certain social unit to society. To uphold the productive forces criterion, a social unit must insist on the unity of economic benefits and social benefits. Because of this, while raising economic benefits for itself, the unit must properly deal with problems of waste gas, dust, waste water, and noise, which may damage the social environment. It should pay attention to measures for training and protecting its staff and members. In addition, it should improve the quality of its products. The quality problem is a very serious problem in our country when demand exceeds supply. By buying raw materials, making them into products, and selling them on the market, an enterprises already receives economic benefits. But the social benefits are only at the beginning stage, and they are subject to tests throughout the whole process of consumption.

#### V. The Relationship Between the Productive Forces Criterion and the Four Cardinal Principles

Some people are worried about this question: When the emphasis is put on the productive forces criterion, will the four cardinal principles be discarded? Some proposed a "system criterion", that is, the basic criterion is to see what road is being taken. Others have put forth a "doctrine criterion", that is, the basic criterion is to see if Marxism is being adhered to. In short, the issue is what the relationship is between two basic things—"the foundation underlying all our efforts to build the country" and "the basic criterion."

(1) In the main, the four cardinal principles are ideological and political principles. They are guiding principles—principles that guide our ideology and line. Since these principles have been tested by historical practice and proved to be correct, we must uphold them. Compared with the productive forces criterion, however, they should be subordinate to and serve the productive forces criterion.

(2) The two are not opposed to each other, but in unity with each other. They are in unity as far as the liberation and development of productive forces are concerned. The report to the 13th CPC National Congress points out: "Why must we adhere to the four cardinal principles? Because in contemporary China that is the only way we can fully guarantee the growth of the productive forces." Adherence to the four cardinal principles conforms to the fundamental interests of the Chinese people. Both the starting point and purpose of doing so are to liberate and develop the productive forces. If we give up and negate the four cardinal principles, our nation will become one without a scientific theoretical ideology as a guidance, turmoil will appear in our society, and we will go in the wrong direction. On the other hand, if we do not insist on the productive forces criterion, we cannot truly uphold the four cardinal principles.

(3) The four cardinal principles should be tested by the productive forces criterion in the course of practice. Some people hold that the four cardinal principles have already been tested in history, and that no more testing is necessary. This understanding is erroneous. First, the four cardinal principles can stand tests. If they could not stand tests, they would not be truthful. Second, the four cardinal principles are not ossified, poor, and dry principles, but are alive and develop continuously. They must be subjected to tests so as to amend whatever is outdated and to be developed and perfected themselves. Just as practice is always new and green, so the four cardinal principles should be new and green forever.

#### VI. The Absolute and Relative Nature of the Productive Forces Criterion

Upholding the absolute and relative nature of the productive forces criterion means upholding materialism

and dialectics in dealing with this criterion. The questions we have dealt with thus far boil down to upholding one theoretical viewpoint, that is, that we should uphold the unity of the absolute and relative nature of the productive forces criterion.

#### (1) The Absolute Nature of the Productive Forces Criterion

First, the so-called "absolute nature" of the productive forces is primarily manifested by its supremacy. Since it is the basic and highest criterion, no other criterions can equal it or surpass it. Can production relations equal it? No. At the highest level, the productive forces criterion is a monistic criterion.

Second, the absolute nature of the productive forces criterion also finds expression in its extensive influence on human history and social life. It affects the life of the whole society. Without this criterion, there is no way to determine whether a social system is progressive or backward.

#### (2) The Relative Nature of the Productive Forces Criterion

The so-called "relative nature" means that it is subject to certain conditions. This is manifested in the following three ways:

First, while it is the highest or basic criterion in all social life, it is not the sole criterion. The world is a manifestation of the unity of infinity and diversity and the relationship between the "one" and the "many." Therefore, the world has not only the highest criterion but also specific criteria for various spheres. The highest criterion affects the specific criteria, but cannot eliminate or replace them.

Second, productive forces are open and dynamic, and the composition of the elements of productive forces develops and changes without cease. Therefore, the content of the productive forces criterion is not a petrified and unchangeable one, but develops and undergoes changes. Not only that, the productive forces criterion used by a social unit is not an isolated criterion. It is necessary to make vertical and horizontal comparisons, that is, to make comparisons with the past and with others, especially with contemporary developed countries, in order to find out the level of development of productive forces.

Third, in most cases, the productive forces criterion is not a direct criterion. Productive forces are expressed indirectly through some intermediate links. Only in some economic spheres and production and operational units can productive forces be expressed directly in a concrete form by output value, profit, and so forth. Also, the productive forces criterion cannot be used directly to judge the nature of society.

To sum up, the productive forces criterion is an absolute as well as relative criterion. Its absolute nature lies in its relative nature, and in its relative nature lies its absolute nature. We can avoid being bogged down in historical idealism by upholding the absolute nature of the productive forces criterion. We can avoid being influenced by metaphysics if we uphold the relative nature of this criterion. Upholding the unity of the absolute and relative nature of the productive forces criterion means upholding historical materialism and historical dialectics. By properly combining the two, we will grasp the quintessence of the productive forces criterion.

(The author is a member of the CPC Central Party School.)

#### Footnote

1. Complete Works of Marx and Engels, Vol 42, p 122.

#### A Glimpse at the Export-Oriented Economy of the Zhujiang Delta

OW/70305/389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 36-39

[Article by Su Xing 5685 2502]

[Text] From 10 to 25 November 1988, I toured Guangzhou, Dongguan, Shenzhen, Zhuhai, Zhongshan, Shunde, and Foshan in Guangdong Province. I paid particular attention to the export-oriented factories and farms in Dongguan, Zhongshan, Shunde, and Foshan, and held discussion meetings with the local comrades concerned. My general impression is: The vigorous development of the export-oriented economy is changing the outlook in the Zhujiang Delta. Together with the party's reform and open policy and strategy for the economic development in coastal areas, the development of the export-oriented economy tallies with the actual situation in these areas.

#### The Trend in the Development of the Export-Oriented Economy Is Fine

There were new developments in developing the export-oriented economy in the above counties and cities during 1988. The city of Dongguan witnessed the best signs in the past 2 years. With rural enterprises as its foundation, it first started manufacturing, processing, and assembling products with materials or specifications from foreign businessmen, and doing compensation trade. Then it began to develop its export-oriented economy. At the end of 1987, the number of enterprises doing the aforementioned businesses totalled more than 2,500, covering 80 percent of the city's rural areas. Thirty-one percent of the rural enterprises are involved in such businesses. The city earned \$100 million as labor charges for the state in 1987, accounting for one-third of the total labor charges earned by the whole province. According to statistics compiled by the city, 1,405 contracts were signed for manufacturing, processing, and

assembling products with materials or specifications from foreign businessmen and in doing compensation trade from January to September 1988, marking an increase of 200 percent compared with that in the same period of 1987. Some 151 contracts for developing joint ventures and cooperative projects were also signed between January and September 1988, marking an increase of 180 percent compared with that in the same period of 1987. Most of these new contracts (projects) involved large investments from big companies. Of these, 26 of the contracts were signed for the processing of materials for foreign businessmen, with each investment exceeding HK\$3 million, while 13 of the contracts were signed with each investment exceeding HK\$10 million. Another 19 of the contracts were signed for developing joint ventures and cooperative projects, with each investment exceeding \$1 million, accounting for one-third of the new contracts.

The situation in Shunde County is similar to that in Dongguan City. With its townships as the foundation, this county has devoted itself to developing Sino-foreign joint ventures and cooperative projects in recent years. The whole county only had two joint ventures in 1983, but the number of joint ventures and cooperative enterprises had reached 95 by September 1988. Some 68 joint ventures and cooperative enterprises are being set up for the manufacture of magnetic electrical appliances, chemicals, machinery, plastic and textile products, garments, shoes, foodstuffs, building materials, and furniture, and in the fields of transportation and tourism. Products in these fields earned more than \$15 million for the state in 1987 from their export goods. The trend in 1988 was excellent. The special features were: 1) The projects were developed on a large scale, and most of them involved high technology. As of the end of July 1988, a total of 58 contracts had been signed with a total investment of \$99.54 million, including \$40.97 million foreign investments. There were five \$6 million contracts and two \$10 million ones signed. The newly developed enterprises are promoting high technology, although they had been developing low level technology. 2) Among the foreign investors, there are many big businessmen. Recently, a businessman from Taiwan was surprised at Shunde's fine investment climate. He planned to invest \$10 million to manufacture boxes for containers. 3) Compatriots from Hong Kong and Macao show great enthusiasm for making investments.

Why does such a fine trend prevail? Comrades in these cities and counties analyzed the trend and attributed this fine trend to the following reasons:

First, the special policies of the central authorities toward Guangdong and their flexible measures aimed at carrying out planning with the emphasis on provincial-level requirements, implementing a system under which provincial authorities are to be held responsible for managing their own financial affairs and achieving an overall economic balance as well as other important measures in structural reform have brought into full play

Guangdong's favorable conditions such as its favorable geographic location near Hong Kong and Macao and its large population of Overseas Chinese. They have also helped promote the policy of opening to the outside world. The comrades of these cities and counties say: Only when we have a good policy, will it be possible for us to turn our favorable geographic condition into a favorable condition to develop an export-oriented economy. On the issue of using foreign funds to quicken the pace in developing material and spiritual civilization in Zhongshan, the comrades in Zhongshan County said with a sigh: In the past, no one has dared to use these funds even if they were offered to us.

Second, after having gone through the practices of developing the export-oriented economy, cadres and the masses have freed themselves from misgivings, abandoned outmoded concepts, broadened their horizons, and strengthened their confidence in opening to the outside world and developing the export-oriented economy. Looking back on the process of their development, the comrades of Fucheng District in Dongguan City said: Even as late as in 1984, people were still plagued with the thinking of "first, fear (fear that the policy will change and if they fail to do a good job in dealing with foreign businessmen, they will be stuck with the label of 'collaborator'); second, difficulties (the difficulties of a shortage of factory buildings, funds, electric power, and qualified personnel); and third, waiting (waiting for the higher authorities to give support and preferential treatment)." A fundamental change has taken place in the mentality and attitude of cadres and the masses after years of practice in developing the export-oriented economy. Talking with them, one is impressed with the conspicuous fact that the policy of opening to the outside world has been deeply ingrained in their minds. When people talk of the situation, international opportunities, and carrying out strategy, their eyes flash with a vigorous spirit to meet challenges, explore new possibilities, and initiate innovations.

Third, improving the investment environment will increase the attractiveness for foreign businessmen's investment. They call this task "building a nest to lure the phoenix." In the past, because the investment environment in some localities was not ideal, foreign businessmen left and did not come back after they had a look around. If factories were set up by some of them, they were later attracted to other places which had a better investment environment. Investment environment includes both "hard" and "soft" environment. The construction of the "hard" environment mainly focuses on the infrastructures of road, electricity, communications, factory buildings, and installation of production facilities. Let us use Dongguan City as an example. Since 1980 it has raised funds from various sectors to invest a total of 180 million yuan in the construction of bridges, new concrete roads, bituminous road, a safe water harbor [tai ping gang 1132 1627 3263], and wharves for handling container shipments. While taking active part in the provincial efforts to raise funds for power stations, it has

also built power plants at its own expenses; has installed 20,000 telephones with digital processing control which offer direct dial service to over 100 cities in China and more than 17 countries and regions abroad; and has erected approximately 7 million square meters' area of factory buildings. Because it has a transportation network linked by sea freight, inland water surface shipping, and highways, because it has a comparatively strong capability of power supply and is equipped with advanced communications facilities, and because it has many industrial zones and standard factory buildings, foreign businessmen very much like to commit their investment here. The construction of the "soft" environment focuses mainly on improving efficiency, abiding by promises and contract terms, and maintaining good business credit and prestige in the areas of leadership, management, and services. For example, in the field of processing imported foreign goods and materials, we must "handle all business dealings with foreign firms through one wicket" and offer excellent streamlined services for unified contract signing, price fixing, and planning. With regard to export-oriented projects, we must give priority to making a decision on its establishment, proving its feasibility, submitting it to the higher authorities for approval, making arrangements for its progress, and carrying out capital construction to see to its completion and being put into operation, so as to shorten its construction period as much as possible and bring forth its production capabilities and get economic returns as quickly as possible. When handling the relations and interests of every party concerned in joint ventures, cooperation projects, and export business activities, we must adhere to the principle of taking into consideration the interests of the whole, abiding by the terms of the contract, and respecting and safeguarding the interests of every party concerned. As a comrade once said: We must not be jealous when foreign businessmen make money. We must let them make money so that we may make money too.

Fourth, the strategy for promoting economic development in the coastal areas adopted by the central government has stimulated the development of the export-oriented economy since the 13th national party congress. The comrades of Foshan City say: Foreign businessmen enthusiastically respond to the strategy for promoting economic development in the coastal areas. They come in great numbers. No less than 10 enterprise groups were received in 1988. During discussions, the proportion of foreign businessmen's investment has increased. The number of projects utilizing a high level of technology is also greater than in the past.

#### **What Benefits Has the Export-Oriented Economy Brought to the Zhujiang Delta?**

The benefits brought by the export-oriented economy to the cities and counties in the region are quite obvious.

—Importing advanced equipment has sped up technical transformation of the existing enterprises. The investment by Foshan City in fixed assets during the Sixth

5-Year Plan only accounted for 1.6 percent of its total input. It was mainly used to import technology and equipment by utilizing foreign funds. A total of 140,000 sets of equipment and 350 production lines have been imported to date, enabling over 2,000 enterprises to carry out various degrees of technical transformation. Among these enterprises, 500 have conducted systematic technical transformation. According to a survey conducted by the department concerned of the city, about 70 percent of the industrial production facilities used in 1980 belonged to the level back in the 1940's and 1950's. Only 0.7 percent belonged to the level of the 1970's. But the percentage of the facilities used in 1987 that belonged to the level of the 1970's and the 1980's already reached 45 percent. Among them, 18 percent belonged to the level of the early 1980's, while the facilities of the level of the 1950's and before were superannuated on the whole. More than 50 percent of these facilities were imported. In Fucheng District of Dongguan City, the value of facilities imported by giving something away as a pledge or payment and provided by Hong Kong businessmen free of charge amounted to HK\$87 million in the past 9 years. The more advanced facilities among them include a assembly line for radio and cassette tape recorders, a five-color printing machine, an optical mirror film plating machine, and a shoe production line. Compared to others, these facilities and technology are more advanced, and they make up a relatively complete range of categories and assortments. They help enterprises promote technical transformation and increase production capabilities.

—The practice of introducing investment from abroad and establishing lateral ties at home has promoted industrial modernization. At present, the joint ventures, enterprises run in cooperation with foreign firms, and enterprises solely owned by foreign firms in these counties and cities are enjoying rapid development. Furthermore, they are also expanding cooperation very quickly with lateral ties-oriented enterprises and privately run enterprises in other areas across China. Fucheng District of Dongguan City will serve as our example again. On the whole, all the enterprises in the district, with the exception of some traditional projects, were engaged in processing materials supplied by foreign firms in the past 2 years. After an analysis of the present situation and future of this kind of business operations, the district believed that it can be taken only as the first step to developing industries and that they have to develop their own key enterprises if they want to progress toward industrial modernization. In the past 2 years, they have set up joint ventures and enterprises run in cooperation with foreign firms, such as a watch factory, a plastic materials factory, a leather goods factory, and a shoe factory. They have also set up a number of key enterprises either on their own or in cooperation with Sichuan, Jiangsu, and other provinces and municipalities. In the past, they could only make firecrackers, woolen textile piece goods, leather goods, toys, and hardware.

Now they are in a position to assemble and manufacture TV sets, refrigerators, air conditioners, quartz clocks and watches, automated chemical and industrial control equipment, and other high priced products. The comrades of Dongguan City told me that lateral economic ties at home have a very bright future. Dongguan City is cooperating with industrial enterprises in Sichuan, Hunan, Hubei, and Gansu to utilize the raw and semifinished materials of these provinces to do intensive processing and then export. The inland provinces and municipalities are also willing to cooperate, as Dongguan City can receive information quickly, has convenient transportation and smooth outlets, and enjoys certain types of preferential treatment specially granted to areas open to the outside world. I saw some bulldozers levelling land on my visit. I learned that Shanghai's Baoshan Iron and Steel Complex wants to build a steel rolling mill there.

—Creating more job opportunities has caused big changes in the production structure. The village and town enterprises, commerce, and service industries grew quickly following the development of the export-oriented economy, luring many peasants to non-agricultural production. About 70 percent of the peasants in Foshan and Dongguan cities changed to work for industrial enterprises or the tertiary industry. They became workers or part-time peasants. The "three forms of import processing and compensation trade" and the three forms of enterprises mentioned above have attracted a large labor force from suburban areas. Over 170,000 of them work in Dongguan City alone. Will agricultural development be affected by the flow of so many peasants to non-agricultural sectors? The situations in these counties and cities shows that such a phenomenon does not occur. In the past 9 years, Dongguan City has maintained a steady annual output of grain at 450,000 metric tons, fulfilling the task of 193.00 metric tons of grain purchase every year, and has enjoyed unprecedented development in its forestry, animal husbandry, sideline products, and fishery, particularly in the production of fruits. I visited the Wentang Administrative Area of Fucheng District. The 1,657 households of the area prosper from cultivating wasteland on 105 hills and mountains and planting scores of fruit trees, including litchi, orange and tangerine, longan, peach, and mango. A total of 7,500 mu of land has been developed, with an average of 4.5 mu per household and over 1 mu per capita. In 1987, the gross output of fruits reached 45,000 jin, creating a gross income of 3.4 million yuan, with average of 2,052 yuan per household and 450 yuan per capita.

—The development of rural enterprises has expanded the socialist collective economy. By relying on district-run collective industries, Dongguan City is developing various types of industries at different levels. In 1987 collective investment in fixed assets was 158 times that of 1978. Shunde County is developing its industry by relying mainly on township-run industrial enterprises. All 12 townships of the county are satellite industrial townships of the Zhujiang Delta Development Zone.

Those township-run enterprises are mainly collective enterprises. The townships have been following the principle of simultaneously developing state-run, collective, and individual enterprises, with the priority given to developing the collective economy. Because state-run economy is too rigid, development has been slow. Output value has so far reached 1 billion yuan. Although individual economy has developed, the proportion is still small. Its output value has reached only 200 million yuan; however, the output value of township-run collective enterprises has amounted to 2.1 billion yuan. With the collective economy as the foundation, it is easy to do other things. This is because the collective economy not only provides money for the further development of agriculture, village and township enterprises, and the improvement of the investment environment for transport and energy projects, but also provides funds for improving education and welfare services. For example, since 1980 Shunde County has invested 200 million yuan in general education. A total of 130,000 students are presently enrolled in middle and primary schools. Attendance rate by school-age children now stands at 99.69 percent. Junior middle school education was popularized throughout the county in 1986. There is a kindergarten in every village. (Attendance by preschool-age children now stands at 80 percent.) There has been rapid progress in the development of adult education. About 5,000 cadres and workers are enrolled in adult schools. These counties and cities have also established old people's homes. Some of these counties and cities have instituted a pension system and the system of medical subsidies for old people.

—The increase of income has raised the standard of living. For example, compared with 1978, Dongguan City's total product of society in 1987 rose 5.4 times to reach 6.58 billion yuan; the per capita income of peasants rose from 193 yuan in 1978 to 1,039 yuan in 1987, while the per capita income of urban workers increased from 547 to 2,067 yuan in the same period. Comparing 1978 with 1987, Zhongshan City's total industrial and agricultural output value rose 3.9 times to reach 3.83 billion yuan; the per capita income of peasants rose from 131 yuan to 1,134 yuan, while the per capita income of urban workers and staff members increased from 550 yuan to 2,259 yuan. Visiting these counties and cities, one can see many well designed living quarters, people wearing fashionable clothing, customers packed into restaurants, and many popular cultural and recreational facilities. In other words, the standard of living of the majority of the people has risen. Although some people have complained about price rises, they have a stronger capacity to bear the situation.

Of course, these localities have not been spared some negative and decadent influences since their opening up to the outside world. The local governments are trying to strengthen the enforcement of laws and the building of a spiritual civilization.

### It Is Still Necessary To Invigorate the Economy

During my conversations with some comrades in these counties and cities, I discovered that they support the party Central Committee's policy of improving the economic environment and rectifying the economy, but they also worry that the campaign might ruin the economy. They said: It is not easy to invigorate the economy, but it is easy to ruin the economy. They expressed the hope that the economy will be further invigorated.

Comrades in Dongguan City point out that there is discord between the policy of developing an export-oriented economy and some measures adopted in the course of implementing the policy. The following are some prominent contradictions: 1) The procedures of submitting projects for approval are too complicated. Applications for a new project have to be submitted to 15 departments. It takes more than a month to complete the procedures of submitting even a small project for approval. 2) The system of issuing licences imposes a fairly big restriction on the development of joint ventures and cooperative enterprises. Recently, a foreign firm applied to set up a solely foreign-owned spinning mill with an investment of \$60 million, which will import all the raw materials needed for the production and marketing all of its products overseas. Although such a mill is 100 percent in line with the principle of "putting two heads overseas," approval has not been granted due to a licensing problem.

Some products have not been promptly exported due to the failure to solve the problems of licensing and quotas.

There is also the problem of funds. Working funds are universally in shortage. The state fails to promptly compensate for losses caused by the foreign exchange rate. An enterprise may export its products in January, but compensation for losses caused by the foreign exchange rate will not be received even in April. In addition, the enterprise will have to pay for the interest incurred during the period. Enterprises have to think of many ways to cope with the problem of a shortage of funds for importing raw and semifinished materials.

As more and more outsiders are coming to these counties and cities, they have to buy grain at negotiated prices. There has been fear that this will result in a closing of the grain market. When I visited Shunde County's Xianggang Livestock Farm (a modernized farm), the farm people told me that what they worried about most was that a grain shortage would affect the fodder supply.

I have not made careful studies of these specific opinions. Therefore, they can only serve as reference for departments concerned. However, invigorating the economy while rectifying the economic order is a matter worth studying.

### Notice on Selecting Books on Party Building *OW1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb p 39*

[*"Notice on the First National Selection of Good Reading Materials on Party Building—To Be Jointly Held by QIUSHI, DANGJIAN WENHUI, and Other Journals"*]

[Text] To show the vast number of readers the results in theoretical study on party building since the 13th CPC National Congress, and to recommend good reading materials on party building to readers, the Political Theory Department of QIUSHI, DANGJIAN YANJIU [PARTY BUILDING RESEARCH—8093 1696 4282 4496] magazine, (sponsored by the Party Building Research Institute of the Organization Department of the CPC Central Committee), DANGJIAN WEN HUI [PARTY BUILDING DIGEST—8093 1696 2429 0565] magazine, ZHONGGUO TUSHU PINGLUN [CHINA BOOK REVIEW—0022 0948 0956 2579 6097 6158] magazine, and The SHUKAN DAOBAO [Books and Journals—2579 0436 1418 1032] Company will jointly sponsor first national activities to select good reading materials on party building.

Applicability: Applicable are books on party building officially published by a state publishing unit after the 13th CPC National Congress and before the end of 1988

Method of Selection: Sponsoring units will invite publishing houses across the country to submit books for selection. One hundred books will be selected as candidate books from all submitted books. Readers will then vote to select 10 books of their choice. A selection committee, based on the number of votes each book receives and the opinions of specialists in this field, will select the 10 best books on party building. The deadline for the selection is 30 August 1989. The results of the selection will be announced in the October issues of journals published by sponsoring units.

Awards: Authors (editors), responsible editors, and the publishing units of selected books will be given certificates of honor and prizes by the selection committee. The selection committee will also establish three "Readers' Selection Awards," and present certificates and prizes to winners of these awards.

Office of the Selection Committee: The Editorial Department of DANGJIAN WEN HUI Journal (Address: No. 19, Section 4, Heping South Road, Shenyang City, Liaoning Province)

(Note: Please see recent issues of DANGJIAN WEN HUI Journal for ballots for voting and books intended for the selection activities.)

**Attaining the Same Goal With Various Strategies—On Reading 'Major Thoughts on Reform in China'**

OW1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 40-42

[Article by Fan Hengshan 4636 1854 1472, member of the Committee on National Economic Structural Reform]

[Text] After 10 years of difficult explorations, reform of the economic system in China, which is primarily market oriented, has penetrated the surface into the layer of substance below. China finds itself in an extraordinary period of deadlocked confrontation between two systems. Obviously, in this critical historical juncture of switching from the old to the new system and of deepening reform in all areas, we can no longer use the strategies of "collision and reflexes" and "groping for the rocks when crossing the river," which were unavoidable during the early period of reform. To get out of the predicament of painfully slow progress and give prominence to the planned socialist commodity economy to make it fully functional as an integrated system, we should judge the hour, size up the situation, and formulate well conceived, systematic, scientific, and feasible reform programs. Therefore, starting in October 1987, the State Commission for Restructuring the Economy entrusted departments concerned in charge of economic work, scientific research institutes, colleges and universities, and local commissions for restructuring the economy to conduct comprehensive planning and design special collateral programs for the reform of the economic system for some time to come. After almost a year of arduous work, the achievements, which condense the wisdom and energies of hundreds of economic workers in theory and practice, have been presented to the people throughout the nation in a book published by the Shenyang Publishing House entitled: "Major Thoughts on Reform in China."

First, the various plans presented in the book share a common understanding of the goal of reforming the economic system, which is to establish a socialist commodity economy or market economy. In other words, the goal is to develop a new operating mechanism for the economy under which the "state will regulate the market and the market will guide enterprises." The mechanism consists of three mutually restrictive elements with an organic relationship: (1) Market orientation of economic operations: At present, it is very difficult to reasonably distribute social resources without the market and the market mechanism. Therefore, the market is the foundation of economic operations, and all economic activities should be placed in the context of a market relationship. (2) Independent actions of enterprises: The independent or voluntary actions of enterprises are a prerequisite for developing an effective and normal market. Therefore, we should guarantee the economic independence of enterprises by reforming the property

rights system and the mechanism of enterprise operations, so that enterprises can keep a watch on market signals, use market prices as a weapon to reach the goal of obtaining the best economic results, and carry out their production activities and operations independently. (3) Indirect macroscopic control: The government carries out scientific intervention on economic activities mainly by formulating non-mandatory plans. This is a basic guarantee for the smooth operation of a market oriented economy. Therefore, the state should use the various means of regulation, primarily economic leverage, and adopt economic and technical policies or policies for different industries and trades, to create a wholesome macroscopic economic environment for market operation. This will enable the market, in the course of its normal operations, to regulate production activities and the operations of enterprises, and eventually to conform the actions of enterprises to the norms. To put it briefly, the fundamental goal of reforming the economic system is to establish a system of internal unity between planning and the market. Guided by scientific planning, this system will have the market as the foundation and the dynamic enterprises as the main subjects of economic activities.

Another common point of the various proposals is the compatibility of the proposed strategies. This can be seen in the following two aspects: (1) The compatibility of the various proposed strategies is given primary consideration in the design of these strategies. Reforms in the past 10 years have enabled people to realize that reform of the economic system is a huge social systems engineering project, and that the enterprise system, market system, and the macroeconomic regulation system, together with the corresponding enterprise mechanism, market mechanism, and macroeconomic regulation mechanism, are the three closely interwoven elementary parts of the systems engineering project, which condition one another. Establishment of the new economic system and formation of a new economic operational mechanism depend on the complete renewal of these three elementary parts in a balanced and harmonic manner. Therefore, in drawing up comprehensive plans for deepening reforms, all designers gave thorough consideration to these three elementary parts. One thing that is especially conspicuous is that, in the proposals drawn up under their supervision, some influential representative individuals who used to stress reforms in some specific areas attached great importance to reforms in other areas. For example, in the new proposals, scholars who have emphasized price reform and the importance of interrelations between prices, taxes, financial matters, and trade also stress the need to give primary consideration to invigorating the state's large and medium enterprises and call for reforming the structure of the property of these enterprises. In the new proposals, some scholars who have emphasized the importance of reforming the ownership system of enterprises also stress the importance of price reform and call for gradually readjusting prices while carrying out enterprise reform in order to make market prices fixed in the end. (2) Consideration is

given to various factors in designing a single strategy. Today, when we are carrying out structural reforms, not only do reforms in a specific area affect reforms in other areas, but the feasibility and effectiveness of reforms in this specific area are also conditioned by reforms in other areas. Therefore, the various proposals do not confine themselves to discussing reforms in a specific area. Instead, they deal with reforms in a certain area from a broader point of view. For example, some proposals point out that market development and the formation of market mechanisms are a key to achieving the goal of regulating enterprises by market conditions with indirect control of the state. This process is actually the process of reforming the national economic management system and the enterprise system. For this reason, it is necessary to use a double envelopment method; that is, through further reform of the national economic management system and the enterprise system, market development is promoted and the pricing system is rationalized, as appropriate. In discussing the labor market, some proposals point out that if we are to rationalize the distribution of our social resources, we must open a labor market as soon as possible. In view of the peculiar conditions in our country, however, all we can do in the near future is to gradually open and expand labor markets based on the personnel and labor force exchange centers we have at present. With the deepening of reforms in regard to the transfer of property rights, social insurance, and the welfare and renumeration systems, a perfect labor market with Chinese characteristics will eventually be established.

Trying to find ways to go out of the double-system pattern is a relatively unanimous idea contained in the proposals. The double-system has destroyed the traditional function-coupling system without setting up a new function-coupling system to replace it. This has provided opportunities for various drawbacks to emerge and explode, and there is no way to prevent and eliminate them. Accordingly, the problems of serious inflation, low economic benefits, economic disorder, unfair distribution of income, and corruption of party and government organs and among the party contingent have appeared one after another, and there is a trend of these problems worsening. This state of affairs has hurt the reputation of reform and threatened the cause of reform itself. Therefore, all proposals unanimously point out the need to get out of the situation where the old and new systems are persistently confronting each other as soon as possible and to establish a new function-coupling system in society so as to eliminate and overcome all the drawbacks that have appeared and will appear.

However, the proposals also show remarkable differences.

The first difference is reflected in the question of how to achieve the objective. There are different ideas for deepening the reform of the enterprise system, market system, and macroeconomic management system.

With regard to the enterprise reform, the main differences lie in the choice of the enterprise system. In general, there are three different ideas: One idea holds that the contract system is a good system to achieve the "autonomy of enterprise activities." It is necessary to use the methods of contracts based on public bidding, contracts between enterprises, group contracts, and the reasonable setting of the contract period to correct the problems experienced in the present contract system, such as the petrification and worsening of the enterprise system, contractors willing to make profits but evading responsibility for losses, and enterprise activities aimed at short-term profits. The contract system, after being improved, should become a permanent enterprise system in the future. Another idea holds that the contract system is a "transitional enterprise management system." For this reason, the proposed methods for improving and developing it add some new elements to the present contract system, such as contracts for after-tax profits and contracts signed with all personnel, so that it will transit toward a "standard model of enterprise management mechanism suited to the level of development of the planned commodity economy during the preliminary period of the initial stage of socialism." The third idea, like the second idea, holds that the contract system cannot meet the needs of the new system of the planned commodity economy. It clearly points out that the contract system must be transformed in a planned way, with the emphasis on certain aspects, and in a step-by-step manner, so that it will transit toward a modern legal entity enterprise system with the shareholding system as the basic form.

Because prices constitute the basic factor of a market, various reform programs have placed the emphasis of the reform aimed at creating a "market economy" on price reform. In working out reform programs, there have been differences in regard to the time limit for price reform and in regard to the measures to be taken to carry out such a reform. The more important differences regard the method of carrying out such a reform—whether to create the mechanism of market prices by straightening out prices through the readjustment of prices or the lifting of price controls or by straightening out prices through other measures of reform having a restraining effect on the price system. These differences have led to a big gap between policy makers: The supporters of the former, laying greater stress on price reform itself, advocate that price reform should be made the center of the economic structural reform in the future; the supporters of the latter, laying stress on other measures of reform, advocate that price reform should be made a supporting measure for the economic structural reform.

Various reform programs have suggested different ways of introducing "indirect macrocontrol." Some programs have suggested that to completely change the means of regulating enterprises by the state, it is necessary to separate the functions of the government as administrator of the society and regulator of economic life from its

functions as owner of public property. Therefore, in drawing up reform measures for the system of macroeconomic control, the focus should be directed at such a separation of functions. Other reform programs, however, have suggested that, like the straightening out of market relations, the creation of an effective pattern of indirect macrocontrol depends on a rational system of enterprises. Therefore, reform of the system of macroeconomic control should match enterprise reforms, such as introducing the system of public bidding for investment in order to adapt to the change from the contract system to the shareholding system. Still other programs have suggested that reform of the system of macroeconomic control should go hand in hand with "reform of the market and prices," and still other programs have suggested that reform of the system of economic management should be deepened in accordance with the standard principle of "marginal unified distribution of earnings and relative share responsibility system."

Another disagreement is manifested in the focal point of the next step of reform maintained by the various reform programs. There are several viewpoints in regard to the next step of reform: 1) The theory "of placing emphasis on market and price reform". This theory is based on the knowledge that the key to reform of the market lies in price reform; that following the elimination of mandatory planning, chaos in the economy is unavoidable if no action is taken to immediately lift the price control and to create a market, and that lifting price control to form a market system with competition mechanisms is essential to developing the full function of a new system. 2) The theory "of laying emphasis on the reform of enterprises and ownership". This viewpoint holds that in the final analysis, prices are the means by which parties to the market transfer ownership. Without an effective ownership structure, there would be no effective restrictions on the relationship of property rights of enterprises and consumers. In other words, it would be impossible to create a rational price system. Under the condition in which enterprises lack sufficient legal status as the genuine producers of commodities, lifting price controls will not produce the expected results. It is more accurate to say that a price system under a commodity economy is created by the enterprises themselves after they have become the true producers of commodities than to say that it is created by the central government for the enterprises. Therefore, price reform can only be the end result of enterprise reform. The nucleus of the economic structural reform is the retransformation of the enterprise system. 3) The theory that "reform of the market and price reform should be coordinated with reform of enterprises and ownership". There are generally two opinions on this theory. One opinion is the "parallel and supplement" theory. This theory holds that the reform of the market and enterprises and the reform of ownership form a chain in which the two become cause and effect to each other. The change of the enterprise ownership system requires price reform and the formation of a competitive market, which constitute the necessary environment for the change of the enterprise ownership

system. Lifting price control and smoothing out price relationships, in turn, require corresponding changes in the mechanism of enterprise behavior. Therefore, simultaneously upholding the two main lines and carrying out the reform in the two areas in an organic, dialectical, and coordinated manner are still the basic way to deepen reform. The other opinion can be called the "support and supplement" theory, which stresses that while modernizing the system of enterprise and price reform are mutually supplementary, the former constitutes the foundation of the latter. This view maintains that it is a one-sided view to treat price reform as the heart of economic structural reform or to ignore price reform in restructuring the economy. If price reform is not carried out along with the reform of the micromechanisms of enterprises, and if enterprises operate in a way which does not reflect price changes, the results of price reform cannot be sustained for long. On the other hand, if we stress only the reform of the micromechanisms and fail to carry out the supplementary price reform, we will not be able to make substantial progress in enterprise reform. Therefore, the correct way is to focus on the reform of enterprise mechanisms and accompany it with price reform.

Although the proposals all call for effective measures to move us away from the situation in which the old and the new systems coexist side by side, they differ in regard to the length of time required. This constitutes the third conspicuous difference between the various proposals. One proposal envisions 4 years. According to this proposal, 1 year is required for preparation. During this preparatory period the central task is to improve the balance between supply and demand, strength the institutions of market economy, and readjust the irrational relationships between various interests. Upon the completion of these preparations, it envisions another 3 years or so to carry out large-scale reform and bring about the transition from the old to the new system in one stroke. The main content of reform in this period is to smooth out market parameters and build institutions and structures compatible with the development of a commodity economy. Another proposal envisions a period of 8 years or so to complete the task. This proposal envisions a period of 3 years or so to improve the economic environment or to introduce, with steady steps, reform measures that require very little direct input, and then another 5 more years or so to carry out bold, systematic, and comprehensive reform and achieve the transition around 1995. Still another proposal envisions even a longer period. According to this view, because of the constraint of the subjective conditions, such as population, employment, agriculture, resources, and funds, it is impossible to truly build the basic framework for a planned commodity economic structure in the planned period (roughly 8 years). What can be done is to create a foundation for the establishment of the basic framework of the new structure. In other words, in 8 years or so we can only achieve the following targets: Enterprises will have been able to assume responsibility for profits and losses to a certain degree, a very imperfect

market "system" will have been formed, and a limited, indirect regulatory system will have been established.

While the proposals differ in their strategies, they aim at the same goal. Despite their differences, reform is their common goal. We should have strong faith that after the ordeal of search, our goal of reform can definitely be achieved.

(The author is a member of the Committee on National Economic Structural Reform.)

**Some New Ideas About Socialist Reforms in the Soviet Union and the East European Countries**  
*OW1703051389 Beijing QIUSHI [SEEKING TRUTH]*  
 in Chinese No 4, 16 Feb pp 43-44

[Article by Chen Gang 7115 0474]

[Text] Over the past few years, both the leaders and the ideological and theoretical circles of the Soviet Union and the East European countries have actively undertaken studies in socialist theory and reforms and have advanced a whole series of new ideas, of which the important ones are as follows:

1. The times call for us to adopt a scientific attitude while studying a whole series of basic socialist questions.

In the initial period after the war, in the Soviet economic circles, scholars represented by Rozhnyeshisky [wo zhi nie xi si ji 3087 5417 3206 6007 2448 1015] and others proposed that economic levers and economic laws be used to develop the economy, but their proposal was not accepted for implementation.

Since the 27th CPSU National Congress, Soviet leaders and the Soviet theoretical circles have criticized corrupt practices and rigid ways of thinking long existing in Soviet society. In his reports and speeches made at many important meetings, Gorbachev always noted: In the Soviet Union, the administrative decree management system, personality cult, bureaucratism, dogmatism and the theory of the unique importance of will power, all of which were formed in the 1930's, and the stagnation of the national economy at the end of the 1970's and at the beginning of the 1980's "had nothing in common with authentic socialism" and were "something misinterpreted and out of shape." He criticized the ossification in the Soviet ideological and theoretical circles and proposed a theory that at the current stage the Soviet Union should proceed on a new basis in dealing with socialist theory. Only by doing so would it be possible to make socialist concepts meet modern demands and be suited to the present and future needs of scientific development, economic development, and scientific and technological progress. The noted scholar, Luzin [lu jin 4151 6855], and others pointed out: The socialist mode (whose important signs include compulsive centralism, the administrative decree system in management, and dogmatism, which plays a dominant role in the sphere of

science and culture) of the Soviet Union, the first socialist country, has entered a blind alley. Now we must renew socialism and build a new socialist mode. They also pointed out: In the current world, socialism is entering a period of transition. The times call for us to get rid of our past rigid attitude toward theory and ideology and adopt a scientific attitude toward studying socialist theory.

In Poland, Hungary, Bulgaria and other countries, ideologists and theorists noted from different angles that for the sake of the new socialist development, we must eliminate the simplified and abstract modes among the socialist points of view. We should understand anew and study socialist theory. Are many points of view which have been regarded as socialist signs now and many beliefs continuously effective or not? Communists must understand that the reason that these points of view and beliefs have become contradictory with today's realities in many ways is complicated. On the one hand, this is due to the general trend of development of socialism; on the other hand, it is integrated with the critical phenomenon and economic stagnation of socialist countries.

2. The development of socialism is closely related to the correct understanding of capitalism. Capitalism is continuously changing, and it is erroneous for socialism to discard all laws of capitalism.

Bovin and other Soviet theorists have pointed out: In the past, the communists failed to fully understand the possibility of the capitalist world "making reforms"; that is, the possibility of the capitalist relations of production becoming abnormal, out of shape, and improved.

Actually, bourgeois leaders can rapidly adapt themselves to the new situation, build a set of effective social buffers and social balancers, and energetically incorporate the masses into an improved modern capitalist orbit. Capitalism has changed a great deal in the political and economic spheres.

Gorbachev expounded in a relatively systematic way the changes and developments in capitalism. He pointed out: The characteristics of capitalism are continuously changing: (1) The essence ("the main sources of military peril") of imperialism has changed. "The Clausewitz" formula, regarded in the past as a sort of classical formula—"War is the continuation of diplomacy by other means"—is out of date." World wars broke out among capitalist countries in former times, "but the current situation is different." "because capitalism not only has drawn a lesson from the last war, but also because it fears it will be weakened before socialism which is becoming a world system. Therefore, capitalism is not willing to see its inner contradictions develop to the extreme." In addition, "the reform of the capitalist economic, technological, and organizational bases can also help mediate contradictions and balance interests." (2) It is possible for the capitalist economy to develop on the condition that no militarization is under way.

Although the United States and other countries relied on the "cold war" and "militarism" as a means to develop the economy, what the "economic miracle" of Japan, West Germany, and Italy relies on is by no means militarism. Furthermore, "the rapid development of the modern capitalist economy in many countries can occur only when military expenses are kept to the minimum." (3) The capitalist system can still "function" without one of the sources on which it lives—neo-colonialism. In other words, the capitalist system may come to understand that it cannot "continue to rely on exploiting the Third World to get rich," that "mankind has come close to the stage of interdependence," and that "the Western countries' ruling class cannot but recognize the interests of the people of the Third World." This is also true in the case of the United States.

### 3. It is necessary to correctly handle the relationship between socialist reforms and the capitalist system.

Some scholars in Hungary, Poland, and other countries point out: How to correctly understand and handle the relationship between socialist reforms and the capitalist system is an important strategic question. Villan Sz [fej ljun ci 6316 0243 5412], an academician of the Hungarian Academy of Sciences, and some Polish scholars have noted: Such an important question must be analyzed and studied from the viewpoint of historical development and from the prospects of the development of world history. Currently, after long-term development, capitalism has become a world system and, particularly in the world economy, plays a decisive role. On the basis of its quite highly developed international character, it is still looking for a new and more appropriate international character. Socialism is at the primary stage of development as of now. Its inflexible economic system, high production costs, outdated production structure, and the inadequate power for self-regulation of the economic mechanism all confirm this. In this general situation, the strategy for socialist reforms should be coexistence and cooperation with the capitalist system.

### 4. Successes in socialist reforms can be achieved. However, the danger of stagnation and backwardness also exists in the reforms.

Ideologists and theorists in Poland and Hungary say that experiences in the reforms of the USSR, Poland, GDR, Czechoslovakia, and Bulgaria in the 1960's and 1970's and those from the reforms in Hungary in the late 1970's show that socialist reforms are a arduous process. Such reforms can make developments, but also harbor the danger of stagnation and backwardness. Under certain conditions, the old economic mechanism can come back to life. Many reasons account for this. Among these, there are seven main reasons:

First, the improvement and reforms of old economic structures in the USSR and some countries in East

Europe can be summed up into two categories: decreasing quotas of a compulsory nature and increasing material stimulation. However, these methods did not bring fundamental reforms to the old economic structure. Therefore, after a period of time (depending on conditions in various socialist countries), these reforms, unable to resist various pressures and "special erosion," resume their old ways (even though they may differ in form but are the same in essence).

Second, the most difficult breakthrough in reforms lies in truly getting rid of the old, rigid industrial structure. The simple and superficial reform measures can not abolish the old industrial mechanism because their strike force is too weak to make the old industrial structure, which has lasted for 50 or even 60 years and has a very strong inertia, escape its customary orbit.

Third, strong resistance to the reforms exists in politics, theories, and social ideologies, including dogmatism and conservatism that opposes the reforms. There are always some who are afraid that the reforms will destroy some principles that are fundamental to socialism (such as the relations between commodities and money supply, market roles, independence of enterprises, and giving up of egalitarianism). There are some who say that the reforms are revisionism and thus are unable to make a breakthrough, and, consequently, are limited inside the old structure.

Fourth, the old economic structure has a very close relationship with bureaucratism. Directives, the grade system under unified central planning, and the interdependence of various enterprises have made bureaucratism develop. Moreover, the monopoly of many enterprises has strengthened bureaucratic organs. Profound reforms must break all these and will inevitably encroach upon the privileges of bureaucratism. Therefore, bureaucratism will provide forceful resistance to the reforms in order to maintain the old economic mechanism.

Fifth, the positive results of the reforms can not be reached overnight. The short-term and long-term interests of the reforms contradict each other. Often, the governmental organs that push the reforms are eager to achieve quick results. When they find that people's passion for the reforms has become increasingly weaker (caused by such factors as inflation) or that people are reluctant to discard the administrative methods of the past, they might become hesitant or even withdraw from the reforms.

Sixth, the new social life that is derived from the reforms (including the way of life and sense of social value), and the new economic structure and mechanism usually coexist, for a long period of time, with the old ways of social life and customs and old economic structure and mechanism. The coexistence will certainly exert various negative influences on the reforms, impede the progress of the reforms, or even cause the reforms to regress.

Seventh, the key to the success or failure of the reforms lies in the determination of leadership in the political core. This determination is mainly derived from the excellent foresight about the prospects of the reforms (including the zigzags in the reforms). It is difficult to predict the prospects of the reforms at their early stage. It is particularly difficult to predict the various kinds of resistance and opposition by the society and various professional groups to such great changes as principles of distribution and arrangement of the interests of various strata. Consequently, this will change the attitude of the leadership in the political core toward the reforms. This will even lead to postponing (including postponing for a long time) or giving up predetermined steps for expanding the reforms.

We can see that parts of the above theories and thoughts are indeed a breakthrough in the traditional standpoint and old ideas in the international communist movement in more than 40 years since the end of the second world war. They have great momentum for socialist self-improvement, reforms, and new development.

**Footnote:**

J. Clausewitz was a famous Prussian general, one of the world's great military strategists, author of *On War*.

**A Study on Not Attaching So Much Importance to the 'Concept of Being an Official'**  
*OW 1703051389 Beijing QIUSHI /SEEKING TRUTH/*  
in Chinese No 4, 16 Feb p 45

[Article by Ge Feng 2047 6912]

[Text] It has come to my attention that recent newspaper reports urge people not to attach so much importance to the "concept of being an official." How can we change people's concept so that they do not attach so much importance to the ambition of "being an official"? Indeed, this topic deserves study and handsome rewards should be offered the present researchers. Though not very talented, I spent 1 day painstakingly studying the topic, and I would like to make the results of my study public.

As a matter of fact, our ancestors originally attached very little importance to "official" positions. During the reigns of the ancient monarchs Yao, Shun, and Yu, they were always succeeded in their official positions by those who were commonly considered sage and competent, and who had made great contributions to the people. For example, let us take Monarch Yu, who was famous in history for harnessing the floods of the Huang He. Didn't he offer his position as monarch to Bo Yi, who was neither his relative nor his friend? Thus, it is obvious that at that time people did not attach much importance to the official position. A man by the name of Tao Yuanming threw away his dignified official position as a county magistrate, ranked seventh in the Jin Dynasty, because he refused to bow deeply to his superior and

uttered something like "I Would Rather Go Home." Thus, it is evident that he, too, attached very little importance to an ambition to be an "official."

Why are some people so obsessed with ambition to be an "official" today? Does their thinking lag behind that of their ancestors? The answer is: "No." The reason is that the present is different from the past. After one becomes an official one can enjoy a great number of privileges and benefits, such as a larger mansion in which to reside, a small private kitchen stove for cooking meals, a luxurious sedan for transportation, and the banquet attendant to inspection trips. Moreover, in accordance with the principle of accomplishing more jobs at less cost, some officials can get access to finished products of fine quality and enable their brothers to get rich ahead of others, simply by signing their names on some documents. Of course, one good turn deserves another. Indigenous local products, special products, color television sets, and refrigerators are automatically delivered to them. Who would still write a poem like "I Would Rather Go Home"? Consequently, they draw relatives and people they can trust over to their side, form cliques, strengthen their alliances, and discriminate against those who hold different views. They have but one ambition, namely, keeping their official position. There is an undying famous saying which goes like this: "Once you have power, you have everything." It is impossible to urge people not to attach importance to the concept of being an official!

It seems that those ancestors I praised in the beginning of this article do not appear so great here. Let us try to imagine people's living conditions in the age of the great Monarch Yu. They wore tree leaves and animal hides as clothes, dwelled in mountain caves, were frequently exposed to wind and rain, and had no shoes for their feet. After a whole day of surveying the Huang He on foot, there was not even a sofa on which to stretch one's legs in the evening. Who would want to be such an official? I think maybe this was why the Great Yu wanted to offer the seat of monarch to the other competent sage. In reality, it was also written in history that, once Yu gained slaves, wealth, and an uncommonly comfortable life following his conquest of the Miao nationality, his son Qi usurped Bo Yi's position and made himself a monarch. Thenceforth, the practice of offering the seat of monarch to another competent sage came to an end.

Now let us come back to Mr Tao. Suppose his salary had been not 5 dou [a unit of dry measure for grain, equivalent to 1 decaliter] of rice, but 5 dou of gold. Perhaps he would rather bow down to his superior than leave with a flick of his sleeve. Even if he was afraid of tarnishing his good reputation as a poet who was above politics and worldly considerations by bowing down to someone else, he would at least have to consult with his wife concerning which choice was more important. Perhaps, if that had occurred, we might not now be able to read that extremely free and easy passage, "I Would Rather Go Home."

Thus, it is clear that the present and the past uphold the same logic.

In view of these results of my study, in my humble opinion, we must first urge people not to attach so much importance to privileges before we can succeed in dissuading them from the obsession with the ambition of being an "official." We do not cherish the extravagant hope that officials will be worthy of their titles and become truly public servants of the people. I think masters will be satisfied if we let them become ordinary people.

However, after all, the world will need some officials to govern. If my ideas were carried out and nobody wanted to be an official, what would happen then? Wouldn't this article be guilty of the most heinous crime? In this respect, I cannot help thinking of that Mr Fan Zhongyan, who was "the first to show concern for state affairs and the last to enjoy comfort." Let our party recruit some more people like Fan Zhongyan. Xu Jiuqing also comes to mind. It would be better if we did not let him go back home to become a vendor of sweet potatoes.

#### Thoughts After Reading 'Let Children Go to School'

OW 1703051389 Beijing QIUSHI /SEEKING TRUTH/  
in Chinese No 4, 16 Feb pp 43-46

[Article by Chen Shaolin, underclassman at the University of Science and Technology of China.]

[Text] Mr Chen Yunhao's article "Let Children Go to School," concerning the increase of child labor and child peddlers over the past few years, is making the following appeal to all parents: We need knowledge to promote the four modernizations. Don't let children drop out of school for the sake of money. Though short and brief, the article reveals, between the lines, Mr Chen's sincere intention.

My thoughts are: Why is the phenomenon of children discontinuing studies to become child laborers occurring everywhere today?

It seems that 2 or 3 years ago the following remark circulated in a certain university: "A brain surgeon's wages are less than those of a barber; a person who makes repairs inside one's head earns less than one who does so outside one's head." At that time, this remark was criticized for sowing discord between intellectuals and the party. But before long the saying "manual workers' wages and brain workers' wages are upside down" was universally acknowledged. Doggerels like "missile producers earn less than egg peddlers" often appear in the press. Of course, someone wrote an article saying "It is also hard to sell eggs," and enumerated the difficulties encountered in selling eggs. At the end he even added: "If you are skeptical, go and try selling eggs yourself!" This stroke of his pen seemed to baffle quite a few people, but

I always had the feeling that he regarded the production of missiles as a very easy job.

I remember that when "Middle-Aged Men" appeared at the beginning of 1980, it caused a sensation throughout the country because it acutely and urgently stressed the question of paying attention to and cherishing intellectuals. However, 8 years have elapsed, and how well has our policy on intellectuals, a policy which was "consistently emphasized," been implemented? How well has the intellectuals' position improved? In 1987, Yang Le, vice president of the All-China Youth Federation and a noted mathematician, pointed out: In the case of Beijing, "the living standards of middle-aged intellectuals is lower than the average standard announced by Beijing Municipality. It has not yet reached the workers' average living standard." Last year, Ding Shisun, president of Beijing University, said: In the days of the "gang of four," the more knowledge a person had, the more reactionary he was thought to be, while today the more knowledge a person has, the poorer he will be.

What they say is actually true. "Lu Wenting," the protagonist in a literary work, survived by sheer good luck because the author failed to have "(Andraivian) somberness." However, in real life there are too many cases in which Lu Wentings do heavy work, live a plain life, suffer from heart palpitations due to various movements, and die of illness. It seems that some "public servants" have not drawn a lesson from the early deaths of Luo Jianfu and Jiang Zhuying.

In Beijing, according to a survey conducted by the Chinese Medical Association among 11 educational, scientific research and other units, 81.6 percent of the 10,592 middle-aged intellectuals surveyed are ill. Still more soul-stirring is that in the Chinese Academy of Sciences, China's supreme palace of science, funeral music was played 94 times in 1986 and 1987 alone.

The tragedy befalling intellectuals is more obvious in the educational field.

The university I am attending is considered an institution of higher learning renowned at home and abroad. During the first 8 months of last year alone, seven intellectuals under 55 years old passed away, including the youngest of them, who was only 40! Whoever read those obituaries sobbed and sighed with grief.

It is said that "to achieve great order across the land, we need men of talent; to get men of talent, we need to educate people; to educate people, we need teachers." But the current situation in the educational field is not optimistic.

As I casually browsed through newspapers of the past few months, I found dozens of articles talking about the education crisis. I vaguely remember a "New Year's Day editorial" published 7 or 8 years ago which said "it is

necessary to let people admire the profession of teachers." Little did we expect that today we are calling for "stabilizing the ranks of teachers."

That is the extent we have devalued knowledge. Can we blame students for not going to school? Can we say that it is the "father's fault" to let his child drop out of school? Stabilizing the enrollment rate is an ineffective remedy, solving the question of remuneration of intellectuals is the drastic measure to deal with our situation. The question is crystal clear.

**A Great Monument on Taihang Mountain**  
*OW1703031389 Beijing QIUSHI /SEEKING TRUTH/  
in Chinese No 4, 16 Feb pp 46-47*

[Article by Yan Yuchang 7051 6276 2490 of the Institute of Literature of the Henan Provincial Academy of Social Sciences.]

(Text) The automobile climbed the curves up the side of the Taihang Mountains. The way leading up to the summit was steep and precipitous. Each sharp turn was followed by yet another. Yangquan City of Shanxi Province was already 15 kilometers down below. The automobile finally climbed up Shinao Mountain, the highest peak in the Taihang mountain range, where flowers were in full bloom in the month of May.

Oh, The "Monument for the Campaign of 100 Regiments" towered aloft on the peak like a sharp bayonet, symbolizing the dignity of the Chinese nation. The monument is in the shape of a bayonet!

The bayonets used by the fighters of the 104 regiments of the Eighth Route Army which took part in the Campaign of 100 Regiments were melted and cast into this historical monument standing erect and aloft on Shinao Mountain of the Taihang mountain range!

Oh, what painful and endless hopes these hills and mountains, which are soaked with the blood of the brave soldiers who fought in the war of resistance against Japanese aggression, had gone through.

Readers could not find the "Monument of the Campaign of 100 Regiments" in the "Dictionary of Scenic Spots in China," as late as the early 1980's. The scenic spot listed for Yangquan City was only one "Guan Di Temple." [Guan was a famous general in the era of the Three Kingdoms] It seemed as if these hills and mountains had never been baptized by the gun smoke and fire of the war of resistance against Japanese aggression.

Yue Fei, the famous general of the Northern Song Dynasty, was executed on trumped-up charges because he successfully fought the Jin Dynasty army which invaded China's central plains. The historical tragedy recurred in the 1960's. One of the charges brought against the general who commanded the Campaign of

100 Regiments was that "the Campaign of 100 Regiments exposed our strength and invited attack by Chiang Kai-shek."

The general stood firm and upright, like the pine trees on Taihang Mountain, feared neither thunderbolts nor burning by fire, and wrote his truth-revealing memoirs during imprisonment, thereby refuting the frame-up with the force of justice.

Though belatedly, the Monument for the Campaign of 100 Regiments was finally erected 47 years later in the autumn of 1987. It stands above the Guan Di Temple, which is located half way up the mountain about 6 kilometers southwest of Yangquan City, and is the highest historical monument among the multitude of mountains in the Taihang mountain range.

There is no inscription or autograph on the monument by that general, whom I respect and revere most. He died without having the false charges against himself cleared.

None of the statues surrounding the monument is dedicated to him. His statue is carved in the minds of people.

There is a giant statue of a tied up Chinese woman beneath the monument, symbolizing the sufferings of our mothers and sisters. Although there is no statue for the general, whom I respect and love, beside the woman statue, everyone who visits this place to pay homage is deeply aware that he was the man who united millions of mothers, wives, and sisters.

The relief sculptures on either flank of the monument show a group of heroes among masses who supported the Eighth Route Army in their fight against the Japanese—people of central Hebei Province and southeast Shanxi Province destroying railroads in enemy-occupied territory by sabotage and using explosives, peasants pushing small carts to support the frontline, and so forth. His honest and straightforward face is not found among those sculptures. However, history will testify to tourists that he stood among the people and commanded the army and people in their valiant battle against the Japanese enemies.

Walls imitating the Great Wall were erected all around the Monument for the Campaign of 100 Regiments. They symbolize a new great wall built with the flesh and blood of those brave soldiers who fought the Japanese back in those days. Whenever we think of this great wall of flesh and blood, we cannot help recall to mind with tears in our eyes General Peng Dehuai, deputy commander in chief of the Eighth Route Army and commander in chief of the Campaign of 100 Regiments.

The Campaign of 100 Regiments began on 20 August 1940. Thunder roared; rain poured; bomb shells exploded; gusty winds howled; dying Japanese bandits, their hearts pierced by the fighters of the Eighth Route Army, screamed shrilly and desperately; and the air on

the hills of Shinao Mountain quivered with a deafening din on 21 August. The sounds here now are different from those in wartime; even the pools of blood have turned into green leaves and red flowers that cover the mountains. It was a clear fine day in late spring of 1988. A few birds flew into the green foliage of masson pines from a bush of brambles dotted with beautiful, little white flowers which were in full bloom like myriads of stars. It was at such a time that the soft words of a great, heroic soul were whispered into my ears: "The headquarters of the Eighth Route Army decided to begin preparations in early July and take advantage of the flourishing green curtain of tall crops to conduct large-scale sabotage operations in early August. The originally decided military strength was 22 regiments. The brunt of the sabotage operations was directed at Zhengtai Road, then Pinghan Road, then the north section of Tongpu Road and Baijin Road, and so forth. After the campaign began and some battle victories were won, a number of armed forces from various bases took advantage of the panick-stricken enemy's hasty retreat to engage the enemy on their own. There were a total of 104 regiments, including the originally deployed 22 regiments, that took part in the campaign. Therefore, when the battlefield report was made public, it was called the Campaign of 100 Regiments."

When I came to myself, I looked around for the person who spoke to me but could not find a shadow of the heroic soul. Meanwhile, his sculpture-like dignified apparition vividly made its appearance in my mind and his words, spoken softly with a very heavy Hunan accent, were again audible in my ears: "The headquarters of the Japanese army in North China called it the Dig-Out-Heart Campaign. The day was commemorated as the Dig-Out-Heart Campaign Memorial Day later every year. More than 30,000 troops of the Japanese army were wiped out and a very large quantity of materials was captured in the campaign. It was a campaign which captured the largest quantity of booty during the entire war of resistance against Japanese aggression."

"These passages are excerpts from the memoirs that you wrote when you were behind prison bars during the Cultural Revolution," I said to the heroic soul who was whispering into my ears.

General, you were never subdued by force during imprisonment. It was very fitting for you to say: "Those of you who maliciously criticized the Campaign of 100 Regiments, please step over to the side of the imperialists and the Chiang Kai-shek clique."

Great, heroic soul who died with everlasting grievance, you traveled from far away north China for a sojourn in Shinao Mountain of the Taihang mountain range and, here, you saw this Monument for the Campaign of 100 Regiments finally erected. Wipe off the dust and restore historical truth. Oh, general, please freely give vent to all your resentment. Now, you should feel satisfied, proud, and elated.

Oh, Monument for the Campaign of 100 Regiments on top of Shinao Mountain, your name will surely be listed as an eye-catching item in a future revision and supplement of the "Dictionary of Scenic Spots in China." Oh, Shinao Mountain, you are a page in the war annals of the Campaign of 100 Regiments and an everlasting epic of the war that will withstand the winds and rains of history.

**Lofty Pursuit of White-Gowned Fighters—After Viewing the TV Serial Drama 'Bai Lan'**  
*OW1703051389 Beijing QIUSHI [SEEKING TRUTH] in Chinese No 4, 16 Feb pp 47-48*

[Article by Xin Ye 6580 0396]

[Text] Bai Lan is the name of a surgeon played by the leading actress of a 5-part television drama aired by the China Central Television Station. It is also the name of a play that depicts the deeds of her unit, called the "Advanced Health Section in Wholeheartedly Serving the People" under a hospital of a certain division in our army.

As a character in literary and art work, she is capable of a wide range of activities. As a representative of an advanced unit, she has a heavy burden to bear. When Jiang Zeshan and Chen Huifang, playwright-directors of "Bai Lan," invited me to view to the drama, I was somewhat worried. This approach of combining a fictitious character with a real-life unit has been used many times in the past. Will it still tug at the people's heartstrings? But my worries proved unnecessary. Although the play is unavoidably straightforward and superficial in a sense, much of the play is true to life and natural. This is because much effort has been made in plotting the whole play and portraying its characters.

Bai Lan is the most important character of the play. The writer-director made the romance between her and Lin Dajiang, a brilliant army academy student, a theme for the whole play, which involved some rather interesting complications. However, as far as the artistic conception of the writer-director is concerned, Bai Lan's profound devotion to patients arouses a more ardent and solid feelings than her reluctance to part with Lin Dajiang, who was so straightforward as to be somewhat naive, or her dislike for Wang Xiaogang, who invariably made his way through the back door. Apparently the writer-director has profound feelings and has done a lot of writing. It was the PLA's fine traditions that prompted Bai Lan to rescue and nurse Lin Dajiang, who had lost consciousness and was brought to her by some passersby, just as Lin Dajiang had come to her rescue when she was assaulted by hooligans several years before. Likewise, her treatment of Li Xiuyun, who was pronounced incurable because of an outsized tumor, also followed the example of the "Advanced Health Section in Wholeheartedly Serving the People" in treating Zhang Qiuju several years ago, *... niit gave no thought to personal gain or loss and ... the responsibility of rescuing fellow*

women of the same class. It is true that she went to the mountainous areas to conduct physical reexamination for the elderly Mrs Zhang at the suggestion of the elderly hospital director—it was her voluntary action to pay for the hospital admission fee, which the poor Mrs Zhang had owed for a long time. This was after Bai Lan had heard the masses in the old revolutionary areas say "we would rather borrow here and there than shortchange the state." In treating Ding Dongdong, a young fighter who had nasal cancer, Bai Lan demonstrated not only an army surgeon's concern for a fighter, but also the care of an elder sister for a little brother who had been without a mother's love since childhood. Seeing her accompany Xiao Ding for further checkups at the military region general hospital and tours to Tiananmen Square and other places, and hearing the kind reminders and well wishes in her letter to Dongdong when he was hospitalized for treatment, the people can see that their relationship has transcended the doctor-patient relationship and become a family relationship. All this is without affectation. Doctors and nurses regard patients and wounded soldiers as family members, and are willing to make selfless sacrifice. This ordinary yet extraordinary spirit of Bai Lan shows that this advanced health section takes an unprecedented attitude and actions in wholeheartedly serving the people. From here, the viewers can readily understand why Bai Lan and the entire health section are so consistently concerned about the success of the trial manufacture of field ambulances.

Wholeheartedly serving the people has been the goal of our PLA, and should remain so in the future. This is a slogan of our army, and our army has carried out this slogan in practice. The playwright-directors of "Bai Lan" have mastered this essential characteristic of our army, and vividly represent the life familiar to them through the characters they created for their play. We are touched and inspired. The playwright-directors' skill is shown by the fact that they do not resort to the shouting of empty slogans, but incisively depict actions. In other words, in accordance with the artistic law, in their play they have reproduced the images, feelings, speeches, actions, and thoughts of advanced characters that exist in reality. In this way, Bai Lan as they portray her seems true to life and natural. She closes the gap between propaganda and

literature and art, and wins the people's love and respect from the bottom of their hearts.

The viewers love and respect Bai Lan's image, and, even more, her spirit. Wholeheartedly serving the people means encouraging selfless sacrifice, a virtue praised by all upright people. It is indispensable to a nation's rise and to a country's wealth and power. Throughout the history of mankind, has any nation or country regained vitality and risen to power without the pioneers who give priority to the interests of their nations, countries, and people—without these pioneers' labor, wisdom, and sacrifices of their lives? In modern China, what we have today is precisely the result of the selfless sacrifices of Chinese communists who have since the party was founded carried forward and developed this noble virtue of mankind, namely, wholeheartedly serving the people. In order to achieve the grand goal of building a socialist country with Chinese characteristics, in the new historical period the Chinese people cannot do without the policy of reform and opening, as well as selfless sacrifice—that is, the spirit of wholeheartedly serving the people. Since the latter is an important feature of socialist spiritual civilization, it should be vigorously promoted rather than discarded. It is regrettable that this has received too little attention in recent years, so it does not exist in some people's minds. Under the pretext of "renewing ideas," some people even regard it an "outdated idea," which is out of touch. People who are determined to make selfless sacrifices are regarded as stupid. "Stressing practical benefits" is hailed as a "new idea" that is in touch with the trend of "reform and opening to the outside world." The very few people who have "become rich first" by making money unscrupulously through embezzlement, taking bribes, speculative activities, and abusing power are considered "capable people." Even more abominable is that some people who cried for "serving the people" are themselves served by the people, and feel that they deserve it. Therefore, seeing the images of Bai Lan and her comrades, who sincerely serve the people, and witnessing the revolutionary spirit they display, we could not but feel that the playwright-directors and actors of this television drama have undertaken praiseworthy efforts and pursuits. No matter what the people think about these efforts and pursuits, I think they cannot deny their realistic significance to the society.

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